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# West Europe Report

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## WEST EUROPE REPORT

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## SECURITY FORCES BREAK UP GORROTXATEGUI TALDEA

Madrid EL ALCAZAR in Spanish 22 Jun 83 p 8

[Text] The Security Forces have broken up the ETA [Basque Fatherland and Liberty Group] "Gorrotxategui Taldea" commando group, and have taken into custody its leader, Jose Ramon Larrinaga Celaya. According to the civil government, the other members of the group fled on hearing of his arrest. The commando group is thought to be responsible for the murder of a civil guard and of the worker Eduardo Vadillo Vadillo, who died a few days ago when a bomb meant for the Civil Guard exploded.

The report from the Vizcaya Civil Government states that the alleged ETA members who fled are Jose Francisco Rementeria Barruetabarrena, and Maria del Carmen Guisasola Soroazabel, wife of the head councillor of Herri Batasuna (Popular Unity) in the town of Marquina.

Numerous weapons, munitions and explosives were intercepted in the home of Jose Ramon Larrinaga, alias "Joserra" and "Cristo," as well as in various "hideouts" located in nearby places.

The incidents in which the members of the commando group allegedly took part began in 1981 with an attack against the Iberduero substation in Ondarroa. Apart from this, they are allegedly implicated, according to the report, in the murder of civil guard Antonio Pablo Fernandez Rico on 2 May 1982 in the Ondarroa police station; in two attacks against Civil Guard patrols in the Trabakua hills during the past year, in which three civil guards were wounded; and in the recent murder of Eduardo Vadillo, which occurred in the same place as the previous ones.

They are also believed to be responsible for the attack against the forces on duty in the armored police sentry box at the entrance to the "Astra y Unceta y Cia" arms factory in Guernica, which was carried out last 4 May, in which the second guard, Donato Banderas Delfa, was wounded.

They are being charged with the placing on nine explosive devices in that number of bank branch offices in Elgoibar, Abadiano, Berriz and Ermua. The report also states that they had received and sent to the ETA leadership in France information about various civil guards, policemen and private persons, with a view to future attacks. Among their plans, according to the report, was one which planned an attack on the military quarters in Marquina and Ermua using automatic weapons and grenades.

The report continues that after the arrest they were able to confirm the existence of a "mailbox" near a lamppost situated in the outskirts of Marquina. Two letters were found there.

The report asserts that Ana Maria Mendiola Zuazo, age 20, unmarried, and girlfriend of Jose Ramon Larrinaga, and Maria Begona Larrinaga Celaya have also been arrested for alleged complicity, and for being members of the organization's infrastructure.

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## SPECIAL SECURITY MEASURES FOR TOURIST AREAS

Madrid ABC in Spanish 22 Jun 83 p 23

[Text] Madrid--The minister of the interior has finalized a plan called "Operation Summer '83" to increase security for citizens in those cities and areas where there is a massive tourist influx during the summer season. The plan will begin on 1 July, and will officially end on 31 August, with the possibility that it will be extended until 15 September. An estimated 30,000 men from the State Security Corps and Forces (Superior Corps, National Police and Civil Guard) will take part in this operation. More than 200 million pesetas is being budgeted for subsistence, transportation, etc.

The same sources point out that the basic objective of the plan is to strengthen police surveillance so as to prevent and combat crime, drug trafficking and terrorist acts. For this purpose, besides the normal contingent of the Security Forces, special units are taking part who specialize in deactivating explosives and in communications; as well as elite units of the National Police, Civil Guard, GEO and UAR.

The principal areas in Spain which will be reinforced in accordance with the directives laid down by the Office of State Security, are the following: Costa del Sol, Costa Brava, the Levante Coast, the Balearic Islands, the coast of western Andalusia, the Canaries coast, the coast of Galicia and the northern coast. For the first time a special surveillance apparatus is also being set up in Barcelona and Madrid, cities where a massive influx of visitors takes place, and which in previous years have not had adequate provision for citizen security.

Besides these two cities, there will be a special police presence in Gerona, Tarragona, Castellon, Valencia, Alicante, Murcia, Almeria, Granada, Malaga, Cadiz, Huelva, Palma de Mallorca, Santa Cruz de Tenerife and Las Palmas. The same sources state that among all the places which will be subject to police attention two will be specially emphasized: Palma de Mallorca and Mazarron. The first of these because this is where the Royal Family spend their vacation; and the second because this probably will be the place where the president of the government will travel to rest for some days in August. Among the directives outlined by State Security there is also a report that the police will have to arrange special protection during the feasts of San Fermin in Pamplona and those of the White Virgin, in Vitoria.

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## LIBERALS, CONSERVATIVES ISSUE 'EXCESS-PROFITS' SHARING PLAN

Copenhagen BERLINGSKE TIDENDE in Danish 28 Jun 83 p 9

[Editorial: "Dividing the Surplus"]

[Text] The debate on sharing business profits has flared up a little again, partly because of plans in the Liberal and Conservative parties to carry out arrangements that will give tax relief for wage-earner involvement in businesses. The plans, which will be given concrete form in the fall, have been rejected in advance by the Social Democrats and the Progressives.

It is hard to arrive at the conclusion that the Danish debate on profit-sharing has been very fruitful so far. It has its starting point in a desire to "spread ownership rights" and a claim that something like this will be a necessary prerequisite for wage-earner acceptance of an income policy of restraint.

Now in the postwar period, ownership rights have become "spread out" to a high degree. This has happened through the very sizable number of condominiums that wage earners have now acquired, in contrast to the past. In this period, wage earners have had substantial financial resources at their disposal, as shown by the acquisition of single-family homes, condominiums and summer houses as well as their purchase of many forms of durable consumer goods. If there had been a great need for wage earners to share in the ownership of business firms, the economic opportunities for doing so were there. To some extent, these opportunities have also been utilized, for instance through stock investments by pension funds. But aside from that, there has apparently been no great interest in the wage-earner group in the much-discussed "spreading" of business ownership rights.

Thus it seems a somewhat odd allegation that profit-sharing is needed to achieve acceptance of a restrained income policy at a time when we seem to have succeeded in checking the tempo of wage increases without any type of arrangement of this kind coming into the picture at all.

Against this background, there is at least good reason to agree with Prime Minister Poul Schluter that the general public seems totally uninterested in "economic democracy" and central funds.

Of course the business sector has some interest in acquiring a broader base of ownership. This could strengthen popular understanding for what is necessary for economic growth. However, such a development should be implemented on an entirely voluntary basis. The idea of stock savings funds has been mentioned in that context. Even though there is unlikely to be a majority in the current Folketing that would back such a step, this should be an area the government emphasizes as it continues to work out its plans.

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## FIVE INSTITUTES GIVE SPRING REPORT ON ECONOMY

West Berlin DIW WOCHENBERICHT in German 5 May 83 pp 239, 245-256

[Article: The Economic Situation of the Federal Republic of Germany." Assessment of the economic situation by the following member institutions of the Working Group of German Economic Research Institutes e.V., Essen: German Institute for Economic Research, Berlin (Institute for Research into Economic Cycles); HWWA-Institute for Economic Research, Hamburg; Ifo-Institute for Economic Research, Munich; Institute for International Economics at the University of Kiel; Rhenish-Westphalian Institute for Economic Research, Essen. Study concluded at Kiel, 29 April 1983]

[Text] The Economic Situation in the Federal Republic of Germany

In recent months the horizon has begun to look somewhat brighter for the economy of the Federal Republic: domestic demand began to pick up sooner than expected and the decline in foreign demand came to a halt. Construction starts, after almost a year of moderate recovery, picked up sharply, especially in the housing sector. With the improvement in demand in the most important economic sectors, as seen from the Ifo-Institute's business climate index, pessimism within the economy has been decreasing rapidly.

The upswing in demand was followed at the beginning of this year by a rise in adjusted gross national product. This has not yet had any impact upon the labor market, as was only to be expected. The picture there has even shown a substantial deterioration.

The pace with which demand and production have come out of their depression, however, tends to distort the basic trend in the economy. The turnaround was caused in part by the fact that monetary policy had, in the course of 1982, departed from its earlier extremely restrictive course. The rapid improvement is also due to specific influences generated by fiscal policy and by events abroad. Thus housing construction benefited from strong fiscal policy impulses. The strength of domestic demand for capital goods between November and January can be accounted for by the deadlines for investment allowances. In addition, large-scale orders had been building up; these are carried out under long-term conditions and have little impact upon anticipated shorter-term production trends. A factor at work in stabilizing the level of new orders received from abroad may have been those placed in anticipation of a revaluation of the German mark within the framework of the European Currency System.



The government continued to stick with its consolidation course. This found expression in the delay of the old age pension adjustment from the beginning of the year to mid-year of 1983; in addition, taxes and social insurance contributions were further increased.

#### Rise in Government Spending Continues at Slow Pace

Over the past year, Federal, Land and local government outlays climbed by only 3.5 percent; this increase being only half of that recorded in 1981. Hard hit by cutbacks, namely 8.5 percent, were capital investments. Personnel outlays showed a definitely reduced hike of 3 percent; the most important factor being a halt in the growth of government payrolls. The increase in debt service costs --approximately 25 percent--made up about half of the total increase in government spending.

Tax revenues, affected by the recession, were also diminished, being only some 2 percent higher than the year before. Federal, Land and local deficits did not increase, however, because Bundesbank profits of 10.5 billion marks were higher by 8 billion than those of the previous year.

Social insurance revenues and expenditure both increased at about the same rate. Still, the healthy income picture here was accounted for by heavy subsidies from the Federal government to the Bundesanstalt fuer Arbeit, the agency in charge of disbursing unemployment benefits. The finance situation for old age pension insurance has seriously worsened. In addition to the higher old age pension adjustment, the scant increase in premium income, resulting from high unemployment and stagnating real employee income, played a decisive role. On the other hand, there was a considerable improvement in the finance situation of compulsory health insurance; an unexpectedly sharp drop in the rise of expenditures played a part here.

On the whole, the 1982 goal of making a substantial cut in the government deficit was not marked by success despite extensive economy measures. The decisive factor was the recession.

#### Monetary Expansion Speeded Up

Ever since the summer of last year the Bundesbank has been intensifying its efforts at easing monetary restrictions. It lowered both the lending and the discount rates affording the banks greater liquidity. This accounted primarily for a fairly rapid drop in interest rates: between August and March, interest rates for short-term deposits sank from 8 to 4.5 percent, for current account loans from 13.5 to 10.5 percent and yields on fixed interest bearing securities from 9 to 7.5 percent.

The Bundesbank, in setting its goal for the total of money in circulation, was guided by much the same considerations as it was in 1982: once again, expansion rates for the total of central bank money were set at between 4 and 7 percent. In light of the continuing activation of the balance of payments and the reduction of cost and price increases, the Bundesbank planned to keep the total of central bank money for the moment in the upper ranges of its projections because of the weakness of the domestic economy.

At about the beginning of the year, the monetary expansion picked up speed, though much more strongly than was intended. The total of central bank money rose from the fourth quarter of 1982--the basis for its projection--to March 1983 at an annual rate of 11.5 percent, substantially above its goal. Monetary totals in the definition of M1 (currency in circulation and demand deposits even increased at a rate of 20 percent. The reason for this was the expansive monetary policy of the Bundesbank. Another factor was the expectation of a change in exchange rates within the European Monetary System, particularly a revaluation of the German mark and a devaluation of the French franc, setting off an influx of foreign exchange into the Federal Republic. Within the span of a few weeks, the Bundesbank bought foreign exchange with the equivalent value of 17 billion marks so as to keep the mark within its acceptable range. The influxes of foreign exchange from abroad made themselves felt not only in an immediate increase in the volume of money--foreigners were hoarding German marks and making advance payments for imports, Germans were delaying making payments in foreign currency or were borrowing in foreign currency and depositing the counterpart funds at home--, but they also increased the free liquidity reserves of German banks.

In order to skim off liquidity, the Bundesbank, even before the European Monetary System's realignment, cut the banks' refinancing quotas; at the same time, it once again lowered the key interest rates in order to stimulate the economy and to reduce the tensions in the European Monetary System. In April, the banks gained liquidity through distribution of the Bundesbank's profits; this, however, was made up for by the fact that after the foreign exchange realignment, foreign exchange once again began to flow into Germany and the Bundesbank carried out open market purchases. In this way the free liquidity reserves of the banks were once again brought back to the level of the fourth quarter of the previous year.

#### Stabilization of Exports

At the beginning of the year, the decline in exports which had contrinuted in a large way to the economic slump in mid-1982, came to an end. Since that time there has been a slight rise in export activity. This development should be viewed with some caution before being seen as a change in trend. While the economic upswing in a number of industrialized countries, notably the United States, and the stron price competitiveness of German exporters in the dollar area, indicate a continuing improvement, there still remain the barriers arising from the payment problems of many countries.

Exports of capital goods, which make up the largest share of Germany's exports, have continued their decline. The downward movement did slow somewhat, however; this can be ascribed exclusively to a slight rise in motor vehicle exports, while exports of machinery continued to slip at an almost unchanged rate. The somewhat more favorable trend in overall exports of goods during recent months can be traced to a rise in raw material exports, while consumer goods still show an unchanged high level of movement.

Because of keen international competition and the sccelerated climb in the foreign value of the German mark, there was little prospect of success for any price increases. The average value of exports was currently only 3 percent higher than the year before, with the rate of increase falling by half within the year.

### Bottoming Out of Investment Activity

The strains upon business investment willingness began, on the whole, to ease as early as the second half of 1982. Most importantly, interest rates have dropped. In addition, imported raw materials such as oil have fallen in price. In spite of all this, the business profit picture is still not satisfactory. In this respect, the total national economic balance may be showing too favorable a picture: a substantial part of the gross income from business activity and property is made up by the profits of the Bundesbank which are, in fact, the expression of a burden upon business. There must also be counted the need for special depreciation writeoffs generated by structural and cyclical reasons and which the overall accounting cannot record.

The dampening effect of the still unsatisfactory profit situation upon investment willingness has not yet been fully compensated by better medium-range sales expectations. Still, the stress factors affecting the mood of business have been easing. One indication of this is the surprisingly heavy use made of the investment allowance at the expiration of the order deadline as well as the fact that domestic orders received by manufacturers of capital goods have not slipped below the level of last fall following the allowance-determined peak.

Equipment investments by companies, consistent with past experience, showed a delayed reaction to changes in prevailing conditions. Thus it was no surprise that they dropped significantly once again in the fourth quarter of 1982. The slight increase at the beginning of this year, which might have been determined in part by the investment allowance, indicates that the bottom has been reached.

Construction investment by business ceased its decline as early as the second half of 1982. Industrial and commercial construction apparently continues to profit from the specific developments which are in part related to earlier economic policy decisions; these have made themselves felt particularly in the energy field, the Federal railroad system and the post and telecommunications sectors. Energy conservation measures have also played a role.

In housing construction, a substantial pickup in demand was brought about by lower interest rates and price declines. Following the formation of a new government, additional measures for promoting housing construction were enacted. The drop in inflation-adjusted housing investment came to an end during the second half of 1982. The continued rise during the first months of this year, though perhaps determined by mild weather conditions, may be a sign that a longer-term recovery has begun.

The pattern in the area of public sector construction is marked by the continued high level of deficits in local government budgets. The decline in public construction investment has now lasted for almost 3 years, showing signs in recent months of only a slight weakening.

### Decline in Consumer Spending at an End

Somewhat surprisingly, the trend in real private consumption over the course of the second half of 1982 contributed to a brighter picture in the overall economic

situation. Private households received a substantial break through the drop in prices for fuel and heating oil. Yet this alone would not have been sufficient to make up for the continued weakening of consumer demand brought about by income trends and even to bring about a rise in consumer spending during the first months of this year. Nominal incomes were rising at an even slower pace than before: since the decline in the number of employed persons continues, shortened workweeks are becoming more common and unemployment insurance deductions have risen, net wages and salaries have tended to drop. Transfer payments have risen at a lesser rate. The scheduled increase in the old age pension was delayed. The increase in transfer payments was mainly the result of higher benefit payments to the unemployed.

The improved pattern of consumer spending can be attributed mainly to a sharp drop in savings. The fact that at the beginning of this year some 3 billion marks more in subsidized savings deposits were available than in 1982 played a role. In addition, the decline in interest rates tended to boost consumers' willingness to borrow and to weaken their savings impulse. It was clear once again that such drops in savings quotas are brought about by purchases of durable consumer goods. Rises in the sales of autos, furniture, electrotechnical and optical products were marked. In part, the rise in purchases in these areas came at the cost of expenditures for foodstuffs and luxury items [such as coffee and alcohol] as well as trips abroad. The improvement in the consumption climate gives rise to hopes that the stimulation of consumption is not simply temporary.

#### Change in Production Trends

Total domestic production which had been in decline until the end of last year, has since then been rising. The turnaround began with manufacturing industries and especially from the basic and producer goods industries and from the consumer goods industry. The impact upon production effected by the investment allowance has, until now, been only slight. Construction activity has recently been much favored by moderate weather conditions. The change in pattern in production industry has continued to impact upon trade, transportation and services and has probably already contributed there to a slight increase in real value added. With the rise in total domestic production, the complaints of overly large inventories of finished goods have become more muted. There are even estimates by producers and dealers which see inventories of both new and used cars as being too low. In other sectors as well, inventory-cyclical influences may have worked to stimulate production.

#### Continued Worsening of Employment Situation

The decline in employment continued undiminished; the upswing in production reflected itself, as was expected, in a stronger growth of productivity per hour of work. The seasonally adjusted number of persons employed dropped by some quarter of a million over the second half of 1982. More than half of the increase is recorded in manufacturing industries and more than 100,000 in the construction sector. In addition, there was a dramatic leap in the prevalence of shortened work weeks, affecting some 1.2 million persons, a level never before recorded. In part this increase owes to the fact that the construction industry, because of mild weather conditions, was scarcely able to make use of inclement weather payments for adjustment of the volume of work performed. It also owed in part to less stringent application of shortened work week rules in the steel industry.



Unemployment continued its sharp rate of increase without any slowing down. By the end of March, the seasonally adjusted number of unemployed had increased to more than 2.2 million, 600,000 more than the year before. The demographically determined increase in the size of the labor pool continued to play a role, though the greater part of the increase owes to the drop in employment. An increasingly large number of highly trained workers is now being affected by unemployment.

Since the average duration of joblessness is increasing, the proportion of persons entitled to unemployment insurance benefits is dropping; for this reason total payments to unemployed persons have not been growing at the same rate as the increase in the number of unemployed.

#### End of Decline in Imports

Material import movements have developed practically parallel to trends in total domestic production. After the beginning of the year they advanced somewhat, after having shown an earlier decline. The improvement was concentrated on semi-finished goods, probably because inventory planning factors dominated. The import of raw materials was generally stagnant. Here, low energy demand, in part owing to the mild winter, dominated. Furthermore, supplies of oil and petroleum products may have remained constant, contrary to expectations based on the expectation of lower prices. Imports of finished goods also remained sluggish. Compared to the last quarter of 1982, capital goods showed a weaker import pattern while imports of consumer goods increased.

Prices for imports have been declining as a result of expectations of a revaluation of the German mark. Particularly sharp price declines were shown by raw materials and fuels.

#### Continued Improvement in Balance of Payments

Although both exports and imports continued to decline in the second half of 1982 at about the same rate, the surplus in the balance of payments increased in nominal terms with export prices advancing slightly while import prices declined. The improvement in the balance of payments was more clearly marked since the deficits in the services and transfers balances were reduced. The surplus in the balance of payments--calculated on an annual basis--amounted to some 10 million marks.

#### Consumer Prices Stable

The definite slowdown in the rate of increase for consumer prices on the final months of last year was followed by a seasonally adjusted price decline. This, however, tends to present too optimistic a picture of the basic trend in price movement. The marked decline in fuel and heating oil prices, which stood finally at about 10 to 25 percent lower than peak prices in the fall of last year, exerted heavy pressure on the level of prices. Price trends among seasonal items showed the same pattern.

The consumer price level in March was some 3.5 percent higher than a year earlier. Without the specific impact of petroleum prices, the increase would have been on

the order of 4 percent. Contrary to the general trend, housing rents have been rising at an accelerated rate since the beginning of the year; this is due in part to rent adjustments in the publicly supported housing sector, in part also as the consequence of the new rent control legislation.

### Prospects

The pattern of the economy in recent months does not yet offer conclusive evidence of the strength or persistence of the upward trend; capital goods orders have been under the influence of the investment allowance and large-scale, long-term orders. So far, only construction contracts have been climbing vigorously and persistently. Because of the generally improved conditions for a recovery, namely the expansionist monetary policy and the dampening of price pressures, there is no doubt that there has been a rise in the level of business activity in recent months and not simply a short-term, special pattern.

This time the recovery has not been characterized by a rise in exports; the international economic environment continues to be unfavorable. Instead, the pattern is determined mainly by domestic impulses, first of all by inventory-cyclical factors which may have made a decisive contribution to the change in trend which does not yet appear to be weakening. Since government spending, because of economy measures, is not expected to make any contribution to the recovery of ultimate demand and because private consumption will expand only hesitantly, a stronger recovery is only possible once investment activity begins to take off.

The increase in demand for capital goods since late fall is related to the deadline for claiming the investment allowance and is not therefore a straightforward indication of a renewed inclination toward investment. Yet the strength of the increase and the absence of a corresponding reaction clearly point to an improvement in investment willingness. What role has been played here by changed economic prospects, the loosening of monetary policy or the renewed improvement in the terms of trade, cannot be clearly determined. All put together, however, they lend themselves to an explanation of the improvement in the earlier much depressed willingness of business to invest. Whether the improvement is great enough to permit investment activity to act as the driving force for a self-generating expansion of the level of business activity is, on the other hand, doubtful. For this, other conditions would have to be created. Included among these would have to be mainly those conditions conducive to growth and not simply promulgated but also put into effect. Since, until now, no such new course has been taken, it is not to be expected that the upswing will tend to generate its own momentum in the course of this year.

The prognosis is based upon the following assumptions:

- The international economic climate will gradually improve and international trade once again pick up as elaborated in the international section. Production in industrialized countries will grow, though only at a moderate tempo. The foreign trade situation of the developing countries is improving, mainly because exports and the prices of raw materials they produce are again rising. The debt crisis of many developing countries is beginning to lose its edge.
- Raw material consumption, again showing a slow rise, and the associated raw material inventory will lead to continued rising prices on the world market. Oil prices will not decline further to any significant degree. Since the German

mark could see some revaluation in relation to the U.S. dollar, prices of raw materials for German buyers will advance only slightly. Compared to the exchange rates of other countries, the German mark, over the course of this year, will remain by and large unchanged.

--The Bundesbank will attempt to check the rise in central bank money supply, keeping it at its announced goal though avoiding abrupt shifts. The money supply will nonetheless probably be greater at the end of the year than was originally planned.

--Fiscal and economic policy measures already enacted will be carried out; new measures, which might still have some impact during this year, will not be added.

--Wage contract negotiations still to be concluded this year will be in line with earlier ones; only in the area of public service employment will a lower wage settlement be concluded.

#### Slow Recovery of Investment Activity

Business investment will be visibly assisted by the investment allowance during this year. But the general conditions for investment have also improved: lowered interest rates, lower wage settlements, higher productivity and reduced oil imports all brought relief on the cost side.

At the same time the climate for investment is still subject to substantial strains. In national economic policy a basic change has been promised; the course pursued up until now lacks clarity, consistency and, as a result, credibility; it has not assured any resilient upward movement.

Sales opportunities over the medium term are assessed by companies as sluggish, for one reason because overindebtedness on the part of a number of developing and socialist countries has dampened foreign demand to about the same degree as has a growing tendency toward protectionism, for another, because the country will be under pressure for economies in the public sector for a number of years to come. Such cutbacks do serve on the one hand for an improvement in the conditions for growth though they also mean for many companies a contraction of their market opportunities.

Despite lower wage settlements it is questionable whether profit expectations of most companies have improved. This is particularly true because many companies are fearful of a cost push next year owing to trade union pressure for a shortening of the work week. In addition, the inflation-adjusted interest rate remains relatively high despite the substantial decline in nominal interest rates.

Given these strains, the recovery of investment will at first be held within fairly close bounds. Investment for expansion will still be undertaken only hesitantly; one exception may be investments within the construction and electrical utilities sectors. In other sectors, projects aimed at assuring competitiveness through product and process innovation will have priority. Averaged over the year, business investments will probably be only slightly higher than last year.

There will be substantial activity in the construction sector. At work here are the decline in mortgage interest rates, a large number of government support measures and, increasingly, the fear of new price pushes. Following a drop in housing investments last year of some 5 percent, there may be an equally large climb this year.

Construction investment in the public sector continues to decline. While budget proposals of the Federal government do hint at an increase in construction expenditures, Land and local governments are planning further cutbacks. The financial latitude allowed to local government will probably shrink even further because of limited growth in tax revenues and the cutback in subsidies from the Land governments. The decline in inflation-adjusted public sector construction investment, estimated at about 3 percent, may, however be about one-half less than it was last year.

All in all, construction investment can count on an increase in the range of 3 percent.

#### Slight Increase in Private Consumption

Once the impact of a number of special impulse factors has run its course, private consumption trends through the rest of this year will again be more strongly determined by incomes. These will show a slow nominal rise, though stagnating when adjusted for inflation--a tendency that will still be more favorable than in the past 2 years when adjusted incomes were falling. Gross wage and salary totals will show a climb braked by lower wage contracts as well as the continued decline in employment, while net wage and salary totals will show an even poorer pattern because of tax progression and the hike in old age pension contributions. Transfer incomes will show an even slower rate of advance than in past years. The heavy increase in total payments to unemployed persons and workers on reduced work weeks are matched by cutbacks in the children's allowance and other social entitlements, the postponement of the old age pension increase by 6 months and the introduction of compulsory health insurance payments by retired persons. Still, deductions may increase even more than they have as the profit picture improves.

Despite the stagnation in inflation-adjusted income, adjusted consumption may increase somewhat; as an annual average, however, it will be no greater than in 1982. The tendency evident earlier on the part of consumers to at least maintain their standard of living in the face of unfavorable income tendencies will benefit from the reduction of interest rates. Borrowing is cheaper and bank deposits have become less profitable.

In addition there are also likely to be impulses to heavier purchases of durable consumer goods which, as shown by experience, comes at the cost of the savings quota. Purchases of cars, which had earlier been deferred, will now be made up, especially with attractive new models coming on the market. With the number of dwellings ready for occupancy on the rise, there will be an additional demand for furniture, housewares and textiles. As a result of the increase in the value-added tax at mid-year, advance purchases are preferred.



### Sluggish Export Growth

As economic conditions in industrialized countries improve, impacting also on developing countries, the prospects for exports from the Federal Republic have become somewhat better. In addition, the German economy's international competitiveness is still generally relatively high even after the latest realignments in the European Currency System. Still, there are many reasons for a cautious assessment of export chances in this year.

First, the demand from industrialized countries will, as a whole, be only moderate; in a country such as France which is of great importance for German exports, no immediate improvement is to be expected. Second, many developing countries without their own oil resources, though profiting from the renewed rise in raw material prices and low oil prices, will have to reduce their new indebtedness, leaving little elbow room for increased imports. Third, many oil exporting countries, because of the drop in oil prices early in the year, will see themselves obliged to reduce their import levels. Such adjustments may have already been put into practice among most socialist countries. Fourth, the pattern of export offerings has proven to be a disadvantage, since capital goods make up a large part of the German export palette while economic trends in most countries are not determined by any revival of investment. Fifth, widespread protectionism will constrain marketing abroad. All in all, an increase in exports can be expected which will be considerably smaller than at the beginning of earlier recoveries.

### Rising Surplus in Balance of Payments

As the economy revives, imports will also pick up. As usual, the impulses for this will be generated by inventory levels. This may be more marked in the case of semi-finished products since prices on international raw material markets have been rising for some time. The latest development on the international oil market, which does not lead to the hope of any further price cutback, indicates that reserves of oil and petroleum products will not be further reduced. The change of pattern in investment and private consumption will serve to stimulate imports of finished products which have been stagnating for some 3 years now. In addition, the revaluation of the German mark has improved the competitive position of foreign export enterprises.

Import prices will again rise once the retreat of raw materials on world markets has been replaced by an advance plus the unlikely further decline of oil prices. Finished products will continue to advance in price at a moderate rate. Since export prices will climb faster than those for imports, the terms of trade will advance once again. As a result, even with no anticipated change in the foreign contribution, an increase in the balance of payments will be generated. This may be on the order of 15 billion marks.

### Gross National Product Higher Than Previous Year's

In light of renewed demand, businesses will increase production through the remainder of the year. Because of continuing strains upon the business climate, the rise will be measurably less than in earlier recovery phases, with total economic surpassing last year's by some 2.5 to 3 percent. Contrary to predictions last fall, the inflation-adjusted gross national product for the year's

average of 1983 will be somewhat higher than last year's: the decisive factor is not so much a stronger recovery as much as the earlier occurrence of the change.

#### Unemployment to Continue Climbing

Problems will continue to intensify on the labor market despite the economic recovery. Companies will increase output without initially enlarging their payrolls; as a general rule, an increasing use of plant capacity will be accompanied by greater productivity per hour worked. In addition, plants will tend to eliminate shortened work weeks and some of them will make use of overtime. The reduction in the number of employed persons will therefore only gradually weaken and not come to a halt before the end of the year. The number of wage-earning persons at the end of the year will, in all likelihood, be some 250,000 fewer than at the beginning of the year, with the total of all persons employed down by some 300,000. As compared to the last peak of employment in the fall of 1980, the number of persons in employment will have declined by more than a million. The decline is thus as large as was the rise since the middle of the 1970's.

The seasonally adjusted number of unemployed at year's end will have reached 2.5 million; this includes the continued rise in the number of young persons entering the labor market. For the 1983 year's average, a figure of 2.35 million can be projected, corresponding to an unemployment rate of about 10 percent. At the seasonal peak next winter, the total number of unemployed--without seasonal adjustment-- could mount to 2.8 million.

#### Further Efforts at Deficit Reduction

Federal, Land and local governments continue their efforts to reduce budget deficits and, at the same time, to revive the economy. Thus, the Federal government, for its part, introduced measures to spur construction activity and to reduce the local taxes on business while increasing the value-added tax and enacting a short-term levy of a "compulsory loan" and increases in the contributions to unemployment and old age pension insurance. A number of other measures were introduced to limit spending particularly in areas of social welfare and civil service costs. Despite announced intentions, there will likely be few cuts in public subsidies. What is more probable is additional assistance for the steel and shipbuilding industries in the course of the year.

Total government spending at all levels will probably rise by some 3 percent through 1983, slightly more than had been proposed in budget planning. One factor at work here is that spending in 1982 was less than the amounts budgeted. A continued weakening of the increase in government purchases of goods and services can be predicted. Although government payrolls remained unchanged and civil service wage contracts were down in scale, total public payroll costs will be about 3 percent higher than in 1982. Material expenditures will rise at about the same rate as payrolls. Investments, both nominal and inflation-adjusted, will remain below the levels of last year especially as a result of the financial straits of local governments, the most important investors in the public sector

Government revenues will increase, as they did last year, by about 4 percent. Changes in the law from previous years will bring about diminished tax revenues, the value-added tax hike will produce an increase from this source.

Government deficits may decrease by some 3 billion marks in 1983. At the same time, the Federal deficit will remain almost unchanged since the situation with respect to social insurance has continued to worsen owing to measures for the consolidation of the Federal budget. The requirements of the Federal Labor Office [responsible for disbursing unemployment insurance payments] for subsidies will be reduced, mainly through a reduction of its payments to the old age pension insurance system whose deficit continues to mount.

#### Continued Stable Price Trend

In coming months, the impact of the reduction in the price of oil, abundant harvests and mild weather upon prices will weaken, though the upward tendency of prices will remain moderated. With respect to labor costs, the pressure for businesses to increase prices will even be weakened; wage increases concluded this year, accompanied by intensification of productivity gains, will lead to a lesser rise in labor costs per item produced than last year. Still, the rise in the value-added tax at mid-year will interrupt the stabilization of prices even if its full force will not be felt because of still weak consumer demand.

Consumer prices will show a rate of increase of less than 3 percent at the end of the year as compared to 1982; without the increase in the value-added tax it would probably amount to only 2.5 percent. The rise will tend to flatten out mainly in the case of commodity and consumer goods prices. On the other hand, changes in rent laws will see an accelerated rise in housing costs.

Prices for construction inputs will probably go up significantly. This holds true particularly for housing construction costs; price levels here are estimated to rise by 4 percent over the level of the end of 1982.

#### Economic Policy Considerations

Four of the five participating institutes assert the following considerations; the opinion of the German Institute for Economic Research (DIW) is found in the appendix to this text.

The economic recovery of the past few months has seen the end of a recession which has lasted for almost 3 years. Total economic production will probably rise faster in the course of this year than it had fallen last year. Whether a sustained upswing will result, sufficient to reduce unemployment, is still, however, an open question: the recovery is in large part the result of a loosening of monetary policy and of short-term governmental measures aimed at stimulating demand as well as what may be an advance payment of confidence in the announced change of economic policy course.

The government has announced a change of course in economic, fiscal and social welfare policy aimed at fostering willingness to produce and individual responsibility; these are intended to eliminate barriers and to liberate growth forces. Until now, however, only a small part of what has been announced has been trans-

lated into effective measures. Thus the law governing rents has been rewritten somewhat more liberally, a number of preconditions for investment have been improved, the share of individual participation in the compulsory health insurance system increased and Federal student aid (BAFöG) benefits converted into student loans.

On the other hand, the measures for promoting housing construction are not in accordance with this new direction. Together with the short-term investment allowance, these belong to that group of measures enacted a year ago by the previous administration which, though they can set off a demand impulse, do not eliminate the barriers and burdens to investment and economic growth.

The increase in the value-added tax as well as the imposition of the investment assistance levy upon persons in "upper income brackets" are two measures which point in the old direction now known to have been a wrong one. This assessment is not changed in any way by the fact that these revenues served to finance not only the promotion of housing construction but the reduction of the local tax on business and the personal property tax. With the increase in taxes and special levies, the state has once again increased its influence upon the distribution and utilization of the gross national product and thus diminished the productivity potential of both employers and employees. In addition, it has done little in its own sector to curtail spending and to divest, for example, through privatization.

What is important, instead of intervention through a multiplicity of selective and global measures into the economic process, is to set a new course for more private initiative. What is urgent is to heighten the capacity for productivity by reducing the burden of taxes and levies--specifically, the share of each additionally earned mark ought not to be siphoned off in taxes to the degree that it is at present. Equally urgent is the strengthening of individual responsibility through a tighter and more effective structuring of the social welfare system and the promotion of investment and growth forces by the relaxation of excessive government regulations. With such changes, of course, current high inflation-adjusted interest rates would lose much of their braking power; ultimately they would also be reduced by such a policy, since investment and capitalization risks would be reduced.

Of chief importance among the needs for restructuring and for the reduction of spending are:

--Cutbacks in subsidies, for example, those paid to agriculture and coal mining; the additional assistance under discussion for the steel and shipbuilding industries should be forgotten; subsidies now being granted should be more heavily concentrated on necessary adjustments.

--No extension of short-term and a gradual elimination of all other measures for promoting housing construction.

--Reduction in support for individual savings schemes for employed persons.

--Curtailement and restructuring of social welfare entitlement schemes, e.g. net adjustment or taxation of pensions, reduction in excessively high levels of



civil service pensions, extension of individual participation in social insurance, specifically in the compulsory health insurance system.

--Restructuring of public sector expenditure in favor of those public investments which enhance the productiveness of private investments.

Urgently needed as tax relief measures are:

--Gradual reduction of the local tax on business and the personal property tax.

--Reduction of withholding and income taxes, at least to balance inflation-adjusted increases, no later than 1985.

--Abandonment of increases now enacted for contribution rates and for expansion of the proportional base in social insurance; reduction of contributions to compulsory health insurance, avoidance of increases in contribution rates for old age insurance in the 1980's, although a later increase appears to be inevitable for demographic reasons.

In line for reduction in the area of government regulation are:

--On the labor market: fewer expensive social welfare schemes, elimination of the universally binding character of negotiated wage agreements in cases of acute threats to employment.

--On the capital market: easing of access to the capital market, not least the issuance of shares.

--Curtailment of state monopolies, mainly for greater efficiency in the use of modern technologies.

--Easing of access to markets, especially in the service sector where numerous barriers now exist.

--Simplification of building codes.

The reduction or curtailment of government spending will mean for those affected a loss of earnings and thus, seen in isolation, be a damper on the rise in demand. On the other hand, it will produce an increase in activity which will be aided by resulting reductions in taxes as well as interest rates. Whether such a reorientation within terms of maximum increase in government spending of 3 percent averaged over the next few years--as planned by the Federal government--will be possible or whether it would have to be larger or could even be smaller, depends upon how vigorously this policy is carried out in all its aspects. The goal of reducing the government fiscal deficit within a reasonable period will only be attained if economic policy is in line with the requirements sketched here for a timely and orderly policy. If, over the short haul, relatively high deficits were to be generated, this would have to be taken into the bargain. Specific deficit goals for single years should not be of paramount importance.

Wage contracts, because of the depressed labor market and the declining inflation rate, have been concluded at lower levels than last year. They still do not provide for any differentiation which would take account of the varying

degrees of threat to jobs. This is a significant barrier to the urgently needed reduction of unemployment levels.

There is no doubt that a worsening of the labor market situation can be ascribed to the recession. The increase of unemployment from cycle to cycle, however, can primarily be traced to the fact that high wage and benefit costs have caused many employers to replace labor with capital investment. With lower labor costs more employment opportunities would exist. The sharp increase in wage cost pressure can be traced to the fact that in concluding wage contracts, neither the effect of higher consumption and value-added taxes upon price increases nor the increases in wage-associated benefits--not least of them the higher contributions to the social insurance system--were adequately taken account of. Nor was sufficient consideration given to the fact that distribution latitudes would be constrained by higher oil and raw material prices. Many firms did succeed in holding down the resulting cost pressure by intensified plant rationalization, though this came at the cost of employment.

To correct this development, more than just a short-term moderation of wage demands will be needed. Instead, it is necessary to hold down the rise in industry-wide contract wages over several years. This would create more latitude for higher effective wage earnings where conditions of scarcity require it.

Shortening the work week is currently under discussion as one important means of reducing unemployment. Yet what should have priority is not defensive measures but those which are calculated to strengthen growth. Whether shortening the work week can have the desired effect depends totally upon how it is carried out. If the shortened work week is not a matter of free choice for the individual but instead imposed upon him by government action or union contract, then the likelihood is great that those who would want to work longer or to increase their income will find compensation in illegal employment. In addition, if a shortened work week results in increased costs for the employer, then jobs will be lost to plant rationalization, plant reductions or abandonment: a shortened work week on this order would become a starting point for further losses of jobs.

On the other hand, if the work week is shortened on the basis of voluntary agreement, for example through in-plant arrangements and if in doing so, cost increases are avoided, then this may contribute to taking the edge off the problem of unemployment. Furthermore, this would probably be in accord with the wishes of numerous employees and employers.

All of these considerations also hold for early retirements; in this case, there is also the question of avoiding strains on the social insurance system.

The loosening of monetary policy since the fall of 1982 and extensive interventions into the foreign exchange market have led to a significant acceleration of monetary expansion. The central bank money supply, which rose in 1982 at a rate which corresponded roughly to the growth of production potential, inclusive of the advance in prices which was scarcely avoidable over the short term, has, since February 1983 been substantially above the upper level of the so-called "goal funnel." Nonetheless, the Bundesbank once again dropped the key interest rates in March by one percentage point in an effort to support economic recovery and to assure the functioning of the European Currency System. It felt justified

in doing so because of progress in the stabilization of the price level, though admitting that it had gone to the limit of present possibilities.

No doubt, with the return of the major part of the accumulated foreign exchange that began after the reestablishment of exchange rates in the European Currency System, the expansion of exchange holdings will probably tend to weaken. In view of the sharp monetary expansion at the beginning of the year and the reduction of the key interest rates in March, there are doubts being raised as to whether the central bank money supply will find its way back into the so-called "goal corridor" over the course of the year.

So as not to generate the impression that monetary policy has abandoned the stabilizing potential oriented course in favor of a policy based upon economic stimulus, the Bundesbank should, if need be, not be afraid to slow down monetary expansion through use of its open market policy even if money market interest rates should rise as a consequence. Even a temporary hike in the lombard and discount rates should not be excluded. In any case, a more flexible structuring of the refinancing rate instrument is indicated so as to avoid the signalling effect of discretionary changes. If the money supply should reach a level above the potential-oriented path for any longer period, inflation expectations would be generated which could cause the monetary impulses to exhaust themselves more and more in an acceleration of inflation. Interest rates would then rise--and not just temporarily--, demand and production would suffer setbacks especially since monetary policy, given an acceleration of monetary devaluation, would, as we know from experience, switch to a restrictive course.

The reasoning that the reduction in interest rates of last March were necessary to guarantee the European Monetary System's capacity to function, is not fully convincing. It was not to be expected that with the reduction of the index interest rates, the expectation of changes in exchange rates, which ultimately are expression of medium-term divergencies in economic policies, would have been shattered. In a situation such as this, an exchange rate union can only be guaranteed through a restructuring of the index courses. That such a restructuring did not take place quickly enough can be attributed to the politicization of exchange rate policy decisions. This gives rise to the fear that in the future, adjustments even if recognized as necessary by the parties themselves affected will be delayed until such time as they are compelled by waves of speculation. As a result, any steady and potential-oriented monetary policy would be burdened with a heavy handicap; for this reason, a reorganization of the system, creating greater latitude for exchange rate changes in the European Currency System, is urgently necessary.

Similarly, the view that progress in checking price rises justifies an intensified expansion of the money supply, must be countered. Even in the event that price increases should weaken faster than assumed by the Bundesbank in calculating its money supply goal, the money supply should be expanded within the defined limits, because then a larger portion of the money supply would be available for the financing of actual economic activity. If, on the other hand, the expansion of the money supply is set at a higher level, the hard-bought success of stabilization would again be endangered.

All in all, the conditions for a self-generating recovery in which employment would show a steady increase, have not yet been fulfilled. Unless economic policy shows a more dramatic change of course than it has so far, it is to be feared that economic recovery could once again slow down as early as next year.

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The German Institute for Economic Research, Berlin (DIW), puts forward the following concept for economic policy:

The economic recovery expected for this year is in part the consequence of the expansionary monetary policy. It is also supported by special measures such as the investment allowance and heavy support for housing construction. These measures are, in their impact, more or less short-lived. In addition, delays in meeting the needs of private households also played a role. Foreign demand, on the other hand, has remained unsettled. There can be little expectation of a strengthening of domestic recovery as a result of a vigorous increase in exports. Whether the recovery will result in an economic upswing will be decisively determined by the future development of domestic demand. Here economic policy is faced with both opportunities and necessities for restructuring; what is needed is a harmonious coordination of monetary, fiscal and wage policy with concurrent activation of market forces.

Monetary policy should, as recommended by the other institutes, be concerned to pull the central bank money supply back into the goal corridor even during the course of this year. In fact, a reawakening of expectations of inflation would be harmful for sustained growth and the significant reduction of unemployment that is necessary.

Fiscal policy has set a high priority on consolidation of state financing, meaning the reduction of current deficits. In medium-term fiscal planning for this year, this is more evident than in longer-range planning data: the rise in government spending is supposed to lag behind the rise in the nominal gross national product over the next few years; expenditures by the Federal government, for example, are scheduled to rise at a rate of 3 percent annually while an increase of some 6 percent annually is assumed for the gross national product. Economic planners are evidently persuaded that such a course will safely lead to a consolidation. At the same time, the consolidation is regarded as an intermediate goal whose attainment is necessary for combatting unemployment, the avowed main goal.

Over the current year, the economically restrictive effects generated by such a budget policy will be more than compensated by the specific recovery measures already cited; not least, there will result, according to present predictions, a slight growth of the inflation-adjusted gross national product during 1983. Whether this fiscal policy will, in medium-range terms, bring about the hoped-for success in consolidation, is still a more than open question. If only because of the high share of government spending within the gross national product, cutbacks in government demand will not be without reverse effects upon the total of demand and thus upon economic recovery. How great these reverse effects will be certainly depends upon which budget items are to be cut. Basically, however, it may be all the more difficult to achieve the announced



restructuring of expenditures in terms of promoting growth, the tighter the reins are pulled in on the latitude for such expenditure. Apparently, despite declared goals, more new cuts will have to be accepted even in the area of public sector investments.

In general it can be said that an expenditure planning program using growth rates that run far behind the--assumed--growth of the nominal gross national product, carries the high risk that the postulated growth in the gross national product will not be achieved. This risk is too great; in the interests of a longer-range real economic growth, it should not be taken. There is no contradiction between this demand and rational necessary tightening of government expenditures. What comes to mind are obsolete subsidies or the all too quick willingness to approve of new subsidies, as well as excessive government pension benefits and corrections in the area of social security old-age pensions.

In the efforts to consolidate government finances as well as tax increases, there can be no sacred cows. In proposals of this type, too much emphasis has been put upon income taxes and the value-added tax. Scarcely any mention is made of the fact that the motor vehicle use tax has stayed at the same nominal level now for decades and represents only a fraction of the burden of maintaining an automobile that it was in the 1950's. An increase would allow the Länder to increase local government's participation in revenue sharing and help in overcoming their weakness in the investment area.

The undesirable consequences of fiscal taboos can be seen this year in the measures designed to increase revenues to support retirement insurance. Because of fears of increasing the premium rate, income portions which had been free of premium assessment were made subject to such deductions. This will lead to additional pension demands at a time when the pressure upon pension financing will presumably be even greater than it is now.

In the area of wage policy there will frequently be a need for more restraint in light of cost trends in industry from year to year. Wage contract negotiations have been in line with this demand, the improvements in the employment situation which were promised as a result have not, however, come to pass. The reasons for this certainly do not lie in a labor cost-determined competitive disadvantage of German firms compared to foreign competitors. What is overlooked in making a one-sided judgement of wage levels and trends is the connection which also exists between wages and government finance. The difficulties in funding social insurance systems result, for example, also from the fact that wage rates have risen less sharply than was assumed in medium-range planning by the insurance systems. For this reason, efforts were made to balance reduced revenues through manipulation of the actuarial basis and finally also through increases in the premium rates. What was forgotten was the fact that the burdens which also fell to the charge of employers made up in large part for the savings in wage costs. The fiscal necessity of increasing the value-added tax or of introducing a "compulsory loan" has its roots largely in the same basis.

It appears that if wage increases and government spending diminish reciprocally, a new necessity for consolidation will arise and not just on the part of government, but--by way of the entire economic circulatory system--for business as well. The transcendent goals which were laid down in the Stability Law will

not be met and not even the intermediate goals achieved. What is more likely to arise is a permanent pressure upon the entire spectrum of economic activity.

Wage and fiscal policy must therefore be harmonized and both, in medium-range terms be led back onto the path of stabilization whose gradient must be reckoned greater than it is by current calculations. For the future course of wages, a greater degree of differentiation would be very much desirable: it is hard to understand why a less than average wage increase is easier to accept among employees of government agencies faced with great fiscal difficulties than it is for employees in business sectors which are also burdened with serious financial problems.

9878

CSO: 3620/366

## SOCIALIST LEADER SAYS PRIVATE SECTOR DOMINANT

Lisbon DIARIO DE NOTICIAS in Portuguese 11 Jun 83 p 4

[Text] Socialist leader Joao Cravinho stated that "the private sector now dominates the centers of power in the country." He made this statement at a conference organized by the UEDS [Leftist Union for Socialist Democracy] on the theme "Private Banking--What Does It Signify?"

In the view of Joao Cravinho, the opening of banking to private enterprises is above all a "political project," reflecting a formula he describes as "Caetanoism plus liberalism."

However, he expressed the view that combatting this project "would be waging a battle lost in advance," since the public sector "continues to be incapable of carrying out the tasks which were in the minds of those who sponsored nationalization."

The basic problem at the present time, according to that PS [Socialist Party] leader, involves knowing how the public sector will function after the opening up to private enterprise, "bearing its efficiency and the protection of labor posts in mind."

Mario Murteira, for his part, insisted that nationalization does not serve the purposes of a "policy of national independence and the building of socialism."

5157

CSO: 3542/153

## GOVERNMENT ECONOMIC PROGRAM ANALYZED, CRITICIZED

Lisbon O JORNAL in Portuguese 24 Jun 83 p 11

[Editorial: "Guinea Pigs for the International Monetary Fund"]

[Text] "Painful therapy" for now, benefits as soon as possible: this is the most optimistic summary of the Economic and Financial Stabilization Program. When? How? How much? The government has deliberately avoided any quantitative or temporal commitment, arguing that the revision of the economic policy does not allow the immediate establishment of "maturely assessed" goals. In exchange for very concrete sacrifices--devaluation of the escudo, a general rise in prices, including "basic products" on which there have thus far been subsidies, a slowdown in investments and economic growth, more than likely an increase in unemployment--the government is offering the possibility that "harsh treatment" will one day make structural changes and healthy growth of the Portuguese economy possible. It is asking the citizens to place their bets blind.

It must be admitted that the maneuvering room available to Ernani Lopes had become very limited. And one cannot fail to give due credit to his competence in connection with the appearance of multiple programs--one for emergency management, another for recovery, a third for modernization, representing a conceptual innovation which contributed to clarifying the various challenges facing our economy.

But the unanswered questions weaken the whole theoretical construction. How can austerity be reconciled with the modernization of productive structures required for the sought-after membership in the EEC? Still more important: how can overall financing of the economy be managed? The government has the provisional budget as an alibi, and obviously does not want to talk about the IMF [International Monetary Fund]. What is the minimal growth goal consistent with containing unemployment? The government does not know. What will the effects of devaluation--perhaps avoidable, perhaps excessive, but most certainly decreed under conditions other than the desirable ones--on inflation and on the standard of living, especially for our poorest strata, be? The government does not say: it only guarantees that in the foreseeable future, prices will not rise more than wages. Strict management and austerity will only be compensated in the medium time range.

In proposing to reduce the foreign deficit, as a first priority, the government has not even projected how the balance of current transactions will

develop following the seriously restrictive policy it has adopted with a devaluation it regards (symptomatically?) as "wise."

On the other hand, it speaks of "controlling the debt," not containing it or much less reducing it. And worse, it imposes no limit upon it. Will the foreign debt increase in the next 4 years by almost 100 percent, as it did from 1979 to the present?

This lack of commitment is still more serious, because the government will function for some months without the supervision of the Parliament. And it is even weakening some ambitious goals: the introduction of the tax on added value and the establishment of the single tax, which could substantially improve our fiscal policy, are described in such imprecise terms as "completing the studies" and "speeding up the work."

On the other hand, the decision to review the programs for investment in the public sector should be the subject of more detailed information. A drastic cut in these programs will have repercussions far beyond the state business sector. Because of the effects up and down the line, they will affect the whole of a productive area which in more cases than not belongs to the private sector.

Beyond this, the country has yet to be informed of any important deadline, even in connection with the programs. The emergency program is to last 18 months, but there is no guarantee that the recovery program will be carried out simultaneously. The prime minister has only said that "the programs will not necessarily be successive in time," which implies the opposite possibility. We know that austerity has already begun, but not how it will end.

In its anxiety to deal with the economic crisis, the government is running the risk of forgetting the Portuguese citizens who are suffering from it. This would be tragic. A reduction in the deficit in the foreign accounts is not a goal which is important only to the national accounting system. The days are now past when one could contemplate resolving the problems by letting a part of the population die of hunger. "Are there few who are prepared to accept the harsh measures?" Mario Soares deludes himself if he thinks collective behavior can be altered by means of American-style breakfasts. The mobilization of the population to accept the inevitable sacrifices depends above all on the incommensurability of a modern democratic information policy.

But the lack of quantified goals may obviously have another more serious explanation. On the one hand, the government would not know how to measure the consequences of the economic policy it has adopted, and needs "time" to see the effects it produces and, naturally, freedom to make corrections as it goes along without admitting it erred. On the other hand, the government could be fearful that any goals set forth now might be rejected by the IMF if and when, as it seems probable it will, Portugal has to "rely" on its financial protection.

Thus we will be in the meantime a guinea pig country, the coming development of which will show how wise the global economic policy has been, and the final treatment, whoever may suffer, will be prescribed by the IMF.

#### Postscript

The program contains sufficient references to social justice, the need to fight corruption and other great moral and political principles. But the portion pertaining to the productive sector is in some places so impoverished and uncertain (it is made up, moreover, mainly of statements of intent and diagnoses) that I venture to presume that it was not read by Almeida Santos--or that it "got by" as a concession to Central Bloc cohesion.

5157

CSO: 3542/153



## INCENTIVES GENERATED FOR RENOVATION OF MARITIME FLEET

Istanbul DUNYA in Turkish 15 Jun 83 pp 1, 7

[Article by Taylan Erten: "New State Policy Taking Shape in Merchant Marine"]

[Text] All incentives for development of the Turkish Merchant Marine Fleet from now on will be administered according to guidelines to be devised by an inter-ministerial commission. Incentive policy -- including the incentive fund for the shipbuilding industry known as GISAD -- which to date has been under the SPO [State Planning Organization]'s chief of encouragement and implementation, will be devised by the commission set up on prime ministry instructions and consisting of undersecretaries from the Ministries of Finance, Transportation and Communications, and Industry and Technology, the SPO deputy undersecretary and the deputy undersecretary for maritime affairs.

The function of the "Commission on Ship Importation and Construction" which was formed at the request of the undersecretary for maritime affairs and was approved by Prime Minister Bulend Ulusu is primarily to provide guidance in incentives applicable to imported ships built abroad and to domestic shipbuilding activities along the lines of set goals and principles and within the framework of a national policy. The commission's duties and powers as listed in the "Organization and Tasking Manual" are:

"The basic task of the commission is to develop insofar as the economic resources of our country allow incentive measures to apply as regards the importation and exportation of ships and the building and dismantling of ships domestically and to provide guidance within the framework of a set state policy to activities undertaken for the strengthening of Turkish navigation.

"As regards the setting of general criteria to apply in the issuance of incentive certificates to entrepreneurs by the SPO Office of Encouragement and Implementation and the alteration of these criteria on the basis of future needs, the decisions of this commission will be in the nature of guidance.

"To determine whether ships imported on the basis of incentive certificates or built with funds from GISAD qualify for credit, imported ships may be inspected by a delegation appointed by this commission if necessary and those using GISAD funds at any Turkish port may be inspected at the shipyard of construction."

According to information obtained, there were problems in carrying out the incentive policies applied to date within the framework of the goal of developing maritime trade. Authorities say that criteria for imported ships using incentive funds such as age, technical features and intended purpose were not given the attention they should have been and this "created drawbacks from the standpoint of long-term goals of national maritime policy and reduced the yield on incentive funds."

In order that the Commission on Ship Importation and Construction, formed for the purpose of eliminating these drawbacks and contributing to the forging of a national maritime policy, might perform the tasks assigned it, cooperation between the SPO Undersecretariat and the Prime Ministry Undersecretariat for Maritime Affairs is called for. A protocol was written to fix the basis for cooperation between the Undersecretariat and the SPO.

The protocol, to ensure export-oriented development of the shipbuilding sector and that shipyards work at full capacity, calls for periodic inspections at the establishments concerned to be made by committees appointed by the Undersecretariat for Maritime Affairs and the SPO. Inspection results and recommendations will be submitted to the commission and the necessary measures will be taken by the commission.

The reorganization, in addition, introduces a central oversight mechanism for the use of GISAT funds. These funds, which to date have been available according to incentive certificates issued by the Encouragement and Implementation Office, will from now on be offered on the basis of principles to be devised by the Undersecretariat for Maritime Affairs and the SPO, and results will be followed up.

8349  
CSO: 3554/336



## URKMEZ GROUP LINE TO LIBYA, PLANNED EXPANSION

Istanbul DUNYA in Turkish 15 Jun 83 p 7

[Interview with Urkmez Group officer Tuncer Unsal; date and place not given]

[Text] Tuncer Unsal, operations director for the M. Faruk Urkmez and Company Group, said they will be inaugurating the direct Istanbul-Libya line with the first trip at the end of June and will expand the service by stages in the future. "We are setting out to provide better line transport between Turkey and Libya. The M/V "Omer Bey" and the M/V "Arzu Urkmez" which we have assigned to this line now are brand new ships of 3,200 dwt built in 1982 and 1983. We have a much broader initiative by owning both ships," he said.

Tuncer Unsal said that the M/V "Ebru Urkmez," also assigned to the line, is now at the Anadolu Shipyards and will go into service very soon. "Thus we are giving all three of our brand new 3,200 dwt ships to this line. Moreover, we are planning, depending on the cargo status, to expand the existing line to cover a broader ring in the Western Mediterranean to include Spanish, French and Western Italian ports and to include Izmir on this line as well as Istanbul," he added.

Noting also that they will organize highway transportation from the ports named for cargoes billed to Mosul, Kirkuk, Baghdad and Tabriz, Tuncer Unsal said that their Istanbul agents were Santrans Shipping and Transport Trading Industry Inc.

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CSO: 3554/336

## SURVEY GIVEN OF WHEAT EXPORT FIGURES

Istanbul DUNYA in Turkish 15 Jun 83 pp 1, 7

[Text] Ankara (DUNYA) -- Estimates expect a decline in world wheat trade in the new crop season. Turkey, meanwhile, will reportedly continue "albeit in a limited way" to export wheat as a "strategic commodity" to Middle Eastern nations in particular.

World wheat harvest estimates were revised downward with production, which was 479.3 million metric tons for the 1982-1983 harvest, to be 478 million metric tons this year. Despite the lower production as compared to a year ago caused by reduced production in the United States, no wheat shortage is expected. World wheat trade will involve around 97.4 million metric tons, 2.8 million metric tons less than a year ago, according to the estimates, and the United States will export 38 million tons though expecting a 16-percent smaller crop this year than last. Canada's exports of 21.5 million metric tons, Australia's 11 million tons and the EEC countries' 15.5 million tons are all expected to remain at the same level as the previous year. Argentina has export contracts for 6.5 million metric tons and the total foreign sales of other nations are expected to remain at 4.9 million metric tons. Turkey is expected to have wheat shipments of around 300,000-350,000 tons this year.

In the 1983 production season, Turkey will reportedly retain its policy of treating wheat as a "strategic commodity," and this product will be used in a "limited" way in commercial transactions. No change is to be made in the practice of meeting the demand for wheat, as well as other products, of the Middle Eastern nations in particular.

Meanwhile, \$39,395,000 worth of wheat was exported in the first 4 months of the year. In the same period in 1982, there were wheat exports of \$28,287,000.

## Direction Change in World Trade

According to information obtained, it is estimated that at the end of the 1983-1984 harvest, Australia and Canada will have brought their weight to bear in world trade against the United States. Estimates that Australia, which experienced a big drop in its harvest owing to drought conditions during the 1982-1983 season, will be buying wheat this year at the level of past years and Canada's projected level of exports add strength to the possibility that a change will occur in world trade.

Also among the estimates is an expectation that wheat consumption for the 1983-1984 season will be 15 million metric tons less than the harvest and, thus, stocks will reach the highest level since 1969 by the end of the season. Stocks stood at around 96.7 million metric tons as the season began.

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CSO: 3554/336

## SERIES DESCRIBES POLITICAL, ECONOMIC PLIGHT OF BRUSSELS

Brussels LE SOIR in French 10-16 May 83

[10 May 83 p 2]

[Article by Guy Depas]

[Text] Whither Brussels?: I - A Region Lacking Regional-  
ization, and a "Frustrated" Economy

Brussels a services center! If services--commerce, banking, and the different modes of intermediate activity--occupy a preponderant place in each of the country's regions, the tertiary sector in Brussels, which accounted for 80 percent of economic activity in 1979 compared to 73.6 percent in 1970, is growing there at a rate inversely proportional to the decline of manufacturing industry. Though it flourished in the past, the construction industry itself is appreciably declining there, and thereby adding to the frailty of the capital's economy.

Brussels a services center? It is natural to think of a capital region as more administrative than productive, more commercial than industrial. But is that not also the consequence of a policy? Of one which, knowingly or not, has for years led to the convergence in this collection of towns of all those contradictory reflexes of conquest and abandonment provoked, respectively, by linguistic rivalries and excessive concentration of power? The yoke is not merely one of geography; distribution of financial transfers by the state towards the three regions of the country adequately shows that it is above all political and economic.

The action taken by public authorities in support of economic activities is instructive. Prior to the outbreak of the steel crisis, which has since permitted a readjustment, 75 percent of state expenditures in industrial sectors remaining under national control were made in Flanders, and 25 percent in Wallonia. Brussels received nothing, either in principal or in compensations. Distribution of profits under the laws on expansion is itself more than unfavorable to Brussels: only 2.4 percent of aid to large enterprises went there, whereas the north obtained 58.2 percent and the south

39 percent between 1959 and 1970; and only 1 percent of aid to small and medium enterprises compared to 50.1 percent for Flanders and 48.9 percent for Wallonia from 1962 to 1978.

According to Michel Peffer, economist and advisor to the Brussels Regional Development Company, and author of "L'Etat anthropophage" [The Man-Eating State], Brussels, in the context of a regionalization from which it remains excluded, is even refused the entire benefit of the taxes which should revert to it.

Excluding indirect and corporate taxes, whose source may be elsewhere than the point of collection, he has calculated that easily localizable tax revenues originate in Brussels in the proportion of 14.5 percent (54.806 billion in 1977), but would be refunded, in an approach to regionalization of the state budget, only in the proportion of 6 percent. It is important to note that Flanders consumes much more of Brussels' resources than does Wallonia. It consumes 62 percent of localizable revenues while contributing only 55 percent of them, whereas Wallonia contributes 30.5 percent, and in return obtains 32 percent.

#### Brussels Saves for Flanders

Does that constitute indirect compensation from the standpoint of savings? All data on regional localization of savings and their investment is necessarily partial. Nevertheless, starting from figures given him by the two major banks of the country, Michel Peffer has calculated that Brussels consumes 27 percent of Belgians' total savings, while contributing 28 percent. Flanders takes the lion's share with 47 and 43 percent respectively, and Wallonia is fleeced, with 26 and 29 percent respectively.

Notwithstanding that it is a services area deserted by industrial investors, what contribution does Brussels still make to GNP, to the new wealth generated by the economy each year?

#### Inevitable Fragility

The foregoing explains why the contribution of Brussels tends to get leaner, as does that of Wallonia, where the structural crisis is revealed by the present crisis: in contribution to GNP, the share brought by the capital region was 17 percent in 1970 and 15.7 percent in 1979, while corresponding figures for the south were 29 and 27.6 percent, compared to 53.9 and 56.7 percent for the north--all in terms of current prices.

Still in current prices, the growth in GNP attributed to Brussels was 1.65 percent per year from 1970 to 1979, but only 0.8 percent on the average from 1975 to 1979. Corresponding figures for Flanders were 4.1 and 3.7 percent, and for Wallonia 3.5 and 3.1 percent.

Since we have underscored the phenomenon of Brussels' fallback to the tertiary sector--be it fallback or forced "reconversion"--it may be useful to

apportion by sector not only the contributions of each of the three regions to GNP, but also their fluctuations during the past decade (source: M Pfeffer):

<u>1978</u>	<u>Brussels</u>	<u>Wallonia</u>	<u>Flanders</u>
Primary	--	2.34%	3.17%
Secondary	3.36%	10.38%	19.39%
Construction	1.15%	2.05%	3.75%
Tertiary	12.51%	14.37%	27.50%
Total	17.02%	29.14%	53.81%
<u>1979</u>			
Primary	--	1.15%	2.19%
Secondary	2.32%	7.98%	18.03%
Construction	0.85%	2.21%	3.95%
Tertiary	12.55%	16.21%	32.55%
Total	15.72%	27.55%	56.72%

In value added by the tertiary sector, the contribution by public services in 1970 and 1979 was, respectively: 22.8 and 27.7 percent in Brussels; 25.7 and 29.8 percent in Wallonia; and 23.7 in Flanders; or, for the three regions as a whole, 22.7 and 26.1 percent.

#### Withdrawal Within Itself

Inherent in the evolution of the economic structure, the "relative withdrawal" of Brussels to its internal market is flagrant. The same can be said of Wallonia, whereas Flanders is resolutely looking abroad. We say a "relative" withdrawal because it is in fact a less spectacular export breakthrough by the first two regions as compared with the third.

From 5.6 percent in 1971, the share of Brussels in the national export total grew to 5.9 in 1978. In the same period, Wallonia's share dropped from 28.5 to 25.7 percent, and that of Flanders grew from 45.5 to 51.3 percent.

Also significant are the weight of exports in the total product of each region, and fluctuations noted therein between 1971 and 1978: 30.3 and 42.8 percent, respectively, for Brussels; 44.8 and 49.3 for Wallonia; and 47.9 and 53.1 for Flanders; or 45.5 and 51.5 for the kingdom, according to statistics collated by the SDRB [expansion unknown].

#### A Ray of Hope?

Is Brussels a "rump region," victimized from within by the yoke it bears, and by political attacks which today more and more take the form of deep-freezing its regionalization; deprived of the means of sharing in a possible economic resurgence; and in any case barred from prospecting foreign markets?



Is Brussels condemned to live in the shade of the other regions?

A faint ray of hope does, however, exist, with which we conclude: although Brussels in 1982 lost 1,170 enterprises, it did see the birth of 1,920 new ones. There is no such positive trend in Flanders or Wallonia; and since 1976, in a general context of new investment famine, the creation of enterprises has given Brussels an advantage, in numbers at any rate: 0.9 percent of new enterprises started in 1970 were in Brussels, and today the figure is 7.8 percent, compared to 52.1 and 48 percent, respectively, in Wallonia, and 44 and 44.2 percent in Flanders.

"We need not hope in order to begin, or succeed in order to persevere."

[Interview with Luc Bernard, president of the Brussels Regional Development Company, by Guy Duplat; date and place not specified]

To complete our picture of the Brussels economy we met with president Luc Bernard of the Brussels Regional Development Company. "I wish to convey a message of optimism," he said. "The Brussels economy is reacting well to the crisis. If it could have the financial and political resources to which it has a right, it could still better develop its many potentialities."

[Question] What is your diagnosis of the economy of Brussels?

[Answer] I would like to project an optimistic message on the development of Brussels. Many indicators show that we are on the right track. For the past two years, and for the first time, industrial production has risen faster in Brussels than in the rest of the country: at a growth rate of 2.7 percent compared to 0.2 percent in the kingdom as a whole.

The rate of business failures is slowing; and the net rate of enterprise creation, that is, the numerical difference between those which are formed and those which close down, is highest in Brussels. Our arrondissement holds the Belgian record for this. Another indication is that the number of foreign firms grew by 126 in Brussels in 1982, while it fell elsewhere. Foreign investments, traditionally, were made in a proportion of 20 percent in Brussels compared to the rest of the country. In 1981 that proportion rose to 40 percent, and in 1982 was still 30 percent.

Another indication is investments made with aid from public authorities. We know Brussels is not spoiled in this regard, since we can grant only Fr 9.6 in aid per Fr 100 invested, while the Flemish public authorities can grant Fr 13, and those of Wallonia Fr 12. Despite that, assisted investments grew by 50 percent last year, while they were shrinking in the rest of the country. I might also add that Brussels is the champion in terms of the number of jobs created per million Fr invested, and that 33 percent of subsidized scientific research is done in Brussels.

Question What are the reasons for those good performances?

Answer The wave of de-industrialization which has affected Brussels for 20 years has perhaps, paradoxically, been a good thing. We experienced it before the other regions, for three reasons: first, because of our urban problems; secondly, because of the absence of a voluntarist policy; and finally, because of the unfair competition of the other two regions. But because of that we have had to make efforts to redeploy ourselves towards other types of industry.

Brussels can have a great economic role in the future, for tomorrow's enterprise, founded on research and development, will be perfectly compatible with an urban environment. I will say more. While the old industries had to flee the cities, the new ones will need them as we need bread. They must feed on information, on communications, on multiple services which only a city can provide them. Look, 90 percent of our engineering offices are already established in Brussels.

Question What are Brussels' strong points?

Answer We have two complete universities plus half of one. Brussels remains the site of economic, political, and European decisions. It is even becoming more and more the site of European economic decision. Brussels is an open, international city. I hope this government will prove less timid in this matter, and will better defend its role of European capital.

Question Yet everything is not perfect?

Answer Indeed not. If we wish to develop Brussels' potential to the full, we ought to have the financial resources which are our right. It is profoundly unjust for Brussels to receive but 8 percent of endowments while it accounts for 16 percent of gross domestic product. Each year the economy of Brussels is deprived of half its resources. Moreover, the institutional framework of the Brussels region is very hampering. There is no real political representation of the Brussels region, and uncertainty as to the future fate of our region makes investors fearful. Brussels must be organized politically, and the FDF Francophone Democratic Front is not alone in demanding that; so do the Union of Belgian Enterprises and the Brussels Chamber of Commerce.

Question Cannot Brussels afford a Flanders Technology?

Answer Brussels shrugs its shoulders at that, for we have already created our own scientific parks. Belgium's Silicon Valley already exists in Brussels, where the largest data-processing firms have settled. In insisting on Brussels' role as the capital of Flanders, M Geens well knows his region would be very little known abroad if there were no Brussels.

[11-12 May 83 p 2]

[Article by Jacques van Solinge]

[Text] Whither Brussels? II: - A Victim of its Parties'  
Weariness, the Capital is Becoming a Political Dwarf

With a million inhabitants, or slightly more than 10 percent of the kingdom's population, the Brussels region does not play--or no longer plays--a political role commensurate with its dual role of capital and major city. Despite successive institutional reforms, most principal decisions are made in Brussels, but most often the residents of the city are reduced to the role of extras in the political context. In proportion to their demographic strength, other large cities weigh manifestly more in decision-making.

The composition of the present government strikingly reflects that virtual non-presence. The Martens V team includes three Brussels dwellers: Paul Hatry, Cecile Goor, and Anne-Marie Neyts, but their authority does not go beyond the strict limits of the 19 communes. Finally, within our various executive departments there is but one Brussels resident whose powers reach beyond the limits of the central region: Philippe Moureaux, who presides over the destinies of the French community, and so has no national competence.

At the level of the large parties the situation is hardly different: Guy Spitaels, Louis Michel, and Gerard Deprez are Walloons. True, there is Lucien Outers, but we must admit the new president of the FDF is not particularly favored with the "Beulemans guts," and that by the force of circumstances his party has a regional vocation.

So much for diagnosis. Let us now try to bring out the causes of this situation. It would be very easy, of course, to say that if the capital is but a dwarf on the political stage it is because it hardly has any more viable candidates to offer. That explanation falls a bit short.

It must nevertheless be noted that replacement of office holders is difficult in Brussels. Thus in the Chamber the average age of those elected from the capital is 52, compared to 49 in Flanders and 47 in Wallonia. In fact, the fickleness of Brussels voters is the indirect cause of this relative aging of those elected.

Until the 1961 legislative elections the Brussels-Hal-Vilvorde district gave remarkably stable results, with a dozen seats going to the Socialists, the same number to the Social-Christians, and half to the Liberals. After 1965 everything changed: Launched by Omer Vanaudenhove, the PLP [Party for Liberty and Progress] confirmed its success in the communal elections and became the major party. Three years later, the blue wave receded and Paul Vanden Boeynants took the lead. Successive elections saw the pre-eminence of the FDF, and the long ordeal of the perennially divided Liberals. Closer to

our own time, a year and a half ago, it was all at once the Liberal renaissance, the clear defeat of the FDF, the waning of the Social Christians, the Socialist erosion, and the remarkable appearance of the UDRT [expansion unknown] and the Ecologists.

All those successive vicissitudes profoundly hampered recovery. The FDF lost all its young representatives in 1981. For the Socialists and Social Christians the number of "useful" posts constantly dwindle. Attrition barely allowed two promotions: that of Philippe Moureaux in the first case and that of Louis Thys in the second. And in choosing its "freshmen" the PRL [Francophone Liberals] put more trust in "technicians" like Paul Hatry, Francois-Xavier de Donnea, and General Robert Close than in true political "hopefuls."

### The Good Old Days

In another connection the fact should be emphasized that Brussels is experiencing serious difficulties in finding its place in the new regionalized and communalized Belgium. The total uncertainty which has weighed for 10 years on the institutional future of the capital is obviously not calculated to strengthen wills and galvanize energies.

Another element must be stressed. In contrast to the northern and southern regions of the country, Brussels has undergone institutional evolution without originating it, and without taking many initiatives. Wavering, moreover, is very apparent in public opinion. Many people have not forgotten the "good old days" of unitary Belgium, whose capital felt itself at once feared and fawned on. Even among FDF militants, perhaps at least as many of them have joined the Brussels party out of reaction against Flemish aggressiveness as because of reasoned support of the federalist idea. And regionalization continues to stir up the one fear or the other.

Another disturbing question is this: what support should be sought? That of the Flemish in Brussels? They are our everyday neighbors, the people of Brussels think; we know them well, but they are fewer than 200,000. That of the Flemish in Flanders? They seem to have at the same time the dynamism, the money, and the power, but their new-money arrogance is unpleasant. They are good people and speak the same language, but can we trust their legendary flightiness, now that they must try to solve their own problems?

### To the Right!

Beyond those cliches, there is also the fact that the political sensitivity of Brussels coincides neither with that of Flanders, where the weight of Catholic structures goes far beyond the electoral showing of the CVP [Flemish Social Christians], nor with that of Wallonia, where 4 voters in 10 put their trust in the PS.

After yielding to the FDF two of their former chairmen, MM Gillet and Rispoulos, and at a time when they held but one minor deputy's seat, the Brussels liberals were in the habit of plucking up their courage by proclaiming that Brussels was a city of liberal sensitivity. Such a notion surely lacks shading. First of all because historically the Brussels liberal tradition was limited to a few communes such as Brussels, Ixelles, and Schaerbeek. Secondly--and we have noted this--because the capital's electorate, for almost a quarter of a century, singularly lacked ideological continuity.

In fact, it does indeed appear that opinion in Brussels has progressively cut itself off from the major conventional political structures dominant elsewhere in the country. For over 10 years a party like the FDF was able to channel the anxiety and discontent aroused by the political first families. Without a doubt, the federalist party played a beneficial role as a barrier against possible adventurist temptations. But the FDF progressively ended by giving certain people the impression that now it is nothing more than a "traditional" group among others. Participation in the government and on the boards of aldermen of numerous communes obviously contributed to dulling the luster of the party's image.

A segment of opinion then turned to other groups such as the UDRT, whose implantation, moreover, is essentially in Brussels, and Ecolo, whose connotation is more Walloon.

It is evident, moreover, that the bargaining and maneuvers which fill the news columns after every communal election are certainly not calculated to strengthen the political faithfulness of the citizens of Brussels. Diverting though they may have been, the vicissitudes of Forestois, Molenbeek, and Woluwe served neither the interests of democracy nor those of sound management. They are cause for concern because they threaten to set off Poujadist-type reaction. In this connection certain deputies play apprentice sorcerers' roles by exploiting delicate themes like the immigrant problem for purely electioneering ends.

#### Parties in Search of Themselves

In such a context the Brussels parties seem struck with torpor.

The socialist federation is now but third in the party, and it is the only one within the party that failed to increase its numbers in recent years. It is more a conglomerate of autonomous sections than a true federation. It is to say the least surprising that most sections refuse to transmit their lists to the federal secretariat.

Moreover, though "petty chiefs" proliferate at the local level, there is no longer a real "boss" at the regional level. Henri Simonet no longer has the taste for it; Philippe Moureaux does not (yet?) have the means for the role; and as for the new chairman, Francois Guillaume, he seems to long for the good old days when his commune of Evere was his sole concern.



In the PSC the picture is no more cheering, despite the efforts of Jean-Louis Thys. But the burgomaster of Jette is not in particularly good odor outside the communes on the north side of the city. The president of the regional federation, Christian Dumon, was dismissed outright. To replace him it was necessary to convince his predecessor Pierre Jonnart to resume office. The new president is a longtime collaborator of Paul Vanden Boeynants, who retains a certain influence with the Social Christians of the capital. But his position is obviously weakened by the legal investigation now underway.

The liberals are apparently in better health. They are no longer a subject of derision, and thanks to their latest successes at the polls they can now nurse the hope of forging ahead of the FDF and becoming once again the major political group in Brussels. Like the socialists, however, the liberals suffer from lack of a real "boss." Robert Henrion has no desire to play such a role, while Albert Demuyter preferred to fall back on his bastion of Ixelles where a few young people were beginning to question his decisions.

Then, as everywhere else, there are personal rivalries. It is no secret that there is little love lost between Paul Hatry and Francois-Xavier de Donnea. Nor can it be denied that Brussels liberals feel they are little loved within their own party, where they are often reproached for being too rightist and not sufficiently reform minded.

That leaves the FDF. After losing two fifths of its parliamentary seats, the Brussels party held its own, much better than was expected, in the last communal elections. But what orientation the Brussels party will choose remains a question. The accession of Lucien Outers to the chairmanship in rather difficult circumstances seems to mark a clear halt in the rapprochement with the PS. It is true that the former minister for cooperation and development has never felt any particular sympathies toward the socialists. The FDF must also take account of Roger Nols' defection at a time when the popularity of the Schaerbeek burgomaster remains high. Here too, the path to be chosen by M Nols does not seem clear: creation of a new party, return to the liberal fold, or rally to the UDRT?

The people of Brussels often have very serious difficulty in making themselves heard on the national political scene. But are they not partly responsible for their judgment? Their parties proved unable or unwilling to reform themselves in good time.



[13 May 83 p 2]

[Article by Jacques van Hoorebeke]

[Text] Whither Brussels?: III - The New Strategy of the  
Flemish in Brussels: Smiles for the Francophones

For some time a change of direction has been noticeable in the strategy applied by certain numbers of Flemish in Brussels. A good many of them-- though not all--today practice towards the Francophones the "policy of the outstretched hand" launched two years ago by Jean-Luc Dehaene when he presided over the CVP [Flemish Social Christian] federation of Brussels-Hal-Vilvorde. In the past few months planning meetings between Flemish and Francophones in Brussels were organized at the initiative of former minister Jos Chabert, but on very limited themes. The Brussels Flemish are now conducting an "operation smiles" which breaks from the aggressiveness of the "marches on Brussels" held in the early 60's, one of whose principal organizers was the present prime minister M Martens.

True, there has been much negotiation since then. Pacts have been concluded. But they have not been respected. Concretely, Brussels still is not "a region in the full sense" as the constitution requires. The yoke remains. And the famed "emerald belt," which submerges Francophone minorities on the periphery by fusions of communes, has been set up.

The new factor is the awareness of the Flemish in Brussels, who intend to set themselves apart, more and more, from the rest of the Flemish population. They say they understand they have specific interests to defend as Brussels residents, and that those interests are not necessarily the same as those of Flanders.

"Like a Ripe Fruit"

Up till now, Flemish policy in Brussels has been the work of CVP ministers with origins in the north, like Renaat Van Elslande of Flanders, Frans Van Mechelen of Turnhout, and Mme Rika De Backer of Antwerp, who showed no feeling for Brussels and particularly devoted themselves to conferring a privileged status on the periphery, to the detriment of the 19 communes.

Certain Flemish from the north want at all costs to break off with Brussels. The most radical among them, particularly in the CVP and VU [Volksunie--Flemish National Party], still declare today they want to force the 19 communes and the city to their knees financially. "Once bled white," they say, "Brussels will fall like a ripe fruit into the arms of Flanders."

Another current of opinion, more widespread in Flanders, considers things should be allowed to run their course in Brussels. A Flemish colleague confided to us in this regard that "the Flemish in Flanders have but little sympathy for or interest in the people of Brussels. They are in no hurry

to grant a special status to the capital. They think time is on the side of Flanders. As Flanders progressively breaks away from Wallonia socially and economically, the people of Brussels will move closer to Flanders. On the other hand, the state of mind of the Flemish citizen of Brussels is very different. He is more open and tolerant. He accepts the fact of being together with people of other opinions. He feels at ease with pluralistic institutions."

But how many are they, those Flemish in Brussels? The Flemish parties say they represent 25 percent of Brussels' population. At the very least, the figure is arguable. The very official Lallemand-Duerinck report evaluates that representation at 11.3 percent.

Of 661 council members elected in the 19 communes at the last communal elections, 65, or 9.8 percent, were Flemish. The figures are even more insignificant in terms of parliamentary representation: of the 65 members (34 deputies and 31 senators) elected in the Brussels-Hal-Vilvorde arrondissement, 26 were Flemish, but only 5 of them were from Brussels: 4 deputies consisting of MM Gust De Winter (PVV), Vic Anciaux (VU), Mmes Rika Steyaert (CVP) and Annemie Neyts (PVV), and a single senator elected directly, Hugo Weckx (CVP).

#### Flemish Orientation Through the Schools

Is that weak parliamentary representation to be taken as one more proof of the slight interest shown by the Flemish parties in "their people" in Brussels? Some of those Flemish office holders can, however, point to largely positive results for their action in the capital. Thus M Weckx, who for 12 years has presided over the destinies of the NCC [Netherlands Cultural Commission], takes no small pride in what he has managed to accomplish.

"The Flemish population," he pointed out to us, "has in the 19 communes no less than 89 day nurseries and day-care centers used by 2,555 children, of whom 55 percent are of single-language Dutch speaking parentage, 20 percent from mixed Flemish and Francophone households, 15 percent from immigrant households, and 10 percent of single-language Francophone parentage.

"In terms of schools, we now have no less than 314 establishments in the city, ranging from the nursery school to the university level. Nursery schools total more than 5,000 pupils, primary schools more than 8,500, secondary schools over 17,000, and the higher technical and university level institutions have over 10,000 students.

"For the first time," M Weckx emphasized, "we have just recorded a spectacular leap forward in the use of Froebelian teaching methods, with a gain of 600 pupils over 1981-82."

We add that a good many pupils in Flemish schools come from the periphery; 20 percent are in nursery schools, 25 percent in primary, and over 50 percent in secondary schools.

It is known that the success of those schools is due particularly to the privileged student population standards from which they have benefited since 1971. There is still no minimum number of pupils required to open any new Flemish school in Brussels. One pupil is enough.

While visiting a number of those schools last week, M Weckx insisted to Flemish Minister of National Education Daniel Coens, who accompanied him, that those privileged standards be at all costs maintained.

#### A Luxurious Infrastructure

It is not only in teaching that the Flemish are recording gains in Brussels, but in public services as well. Wherever they hold power, they rigorously enforce the linguistic statutes of 1962-63. This is particularly so in the Brussels offices of the Post Office and RTT [telecommunications], where over half the posts are held by Flemish, some of them unilingual.

In the field of infrastructures as well, the Flemish have made important gains in Brussels. A group of architects, city planners, and sociologists in the Sint Lukas Werkgemeenschap, closely associated with the CVP, has just drawn up a new plan of acquisitions to cost 2,750 billion. Though just published, the plan is strongly opposed, especially on the liberal Flemish side. M Andre Monteyne (PVV), who is responsible for cultural policy in the NCC [expansion unknown], does not mince words: "This plan is completely unrealistic," he told us. "From the financial standpoint alone, it is impossible to achieve in these times of crisis. Certain luxurious projects are perfectly useless." He believes the Flemish in Brussels would be better served by "small meeting places," by less costly and more effective offices.

M Monteyne fears that the end result of certain forms of cultural projects would be to confine the Flemish in Brussels to ghettos. He too prefers to multiply dialogues with Francophones.

Though in the timid meetings which have been going on for some time between the two Brussels language groups the Flemish now show the velvet glove, the same cannot be said of the climate which reigns on the periphery. There the Flemish do not seem ready to offer their hand to the Francophone minorities, who in many cases are actually majorities.

14-15 May 83 p 2

Interview with Paul Hatry, PRL senator and minister for the Brussels region; Philippe Moureaux, PS senator and chairman of the executive group of the French community; Jean Louis Thys, PSC deputy and burgomaster of Jette; and Georges Desir, FDF deputy and party secretary general; by Janine Claeys, G. Duplat, P. Lefevre, and Jacques van Solinge/

[Text] Whither Brussels?: IV - Between MM Hatry, Moureaux, Thys, and Desir, There is Strikingly Little Common Ground

Who is responsible for the decline of Brussels? How is it to be halted? What institutions should be created, abolished, or amalgamated to keep pace effectively and flexibly with the strides of the capital region? What political and social modus vivendi can be found between Francophones, and between Francophones and Flemish. It is to find answers to those essential questions that in the context of our inquiry we invited spokesmen for four "sound values," relatively new to Brussels politics, to debate them.

In this exchange of ideas the essential element to be noted is the determination, expressed by all, to give priority to strengthening the industrial fabric of Brussels, and to bring order to institutions thought by all to have little effectiveness, and by some to be redundant. But what order, and with what allies? On that, opinions diverge. Dramatically, it is tempting to say, because our debate has brought out the absence of a common, concrete, and consistent attitude in the face of the Flemish, and the lukewarmness shown by all sides to reaching a simple understanding among Francophones.

#### The Economic Situation

Paul Hatry: The economic situation of Brussels is neither better nor worse than that of other regions. It is enough to compare unemployment figures, for example. But it is true that in Brussels we do not have the advantages of the other two regions. The EEC persists in failing to recognize Brussels as a development zone. I would like also to emphasize that Brussels suffered until 1982 from a national economic policy which rebuffed foreign investors. Fortunately the present government's policy is quite different.

Georges Desir: In walking about Brussels I am struck by the deterioration of our region. If a foreigner is asked about successes achieved in urban renewal he will cite Bruges, Gand, or Antwerp, but never Brussels. On the other hand, industrial zones are being established outside the 19 communes, where new buildings are going up.

Jean-Louis Thys: Brussels has been as much dismembered by the Flanders region as by the Walloon region. The zoning of Digem is an example, but there is also that of Nivelles. There was a voluntary and desired dismembering in order to empty Brussels. We must together restore prestige to our central region, and recover a distinct personality for Brussels.

Philippe Moureaux: M Hatry says the deterioration of Brussels is no worse than that of other regions. But it is no less either. The people of Brussels should say so with a loud voice. In my party there are still people whose image of Brussels is rich and bourgeois. They must be told they do not know the reality of Brussels today. I would also like to stress the role of inadequate institutional reforms, and of the lack of an autonomous Brussels regional executive, in the deterioration of the region.

And the Yoke?

[Question] You emphasize the exile of Brussels enterprises to the periphery. Is that not another reason for freeing Brussels from the yoke of the 19 communes?

Philippe Moureaux: I would like first to emphasize a political error made by everyone in Brussels. For too long we have made speeches underestimating the consequences of the de-industrialization of Brussels, and even seeing advantages in it. Of course, I am not pleading now for installation of a continuous strip steel mill in Brussels, but we must seek to attract industrial activities here.

Paul Hatry: To say "everyone is guilty" as does M Moureaux is not correct, I am sorry. The socialists have been in power continuously. Those really responsible are the people who wanted, for the sake of a Wallonia-Brussels alliance, to impoverish our region. Brussels today is not in such bad health. More enterprises are created there than disappear. As for the yoke, it is indeed very regrettable that Brussels should be limited to the 19 communes. But we must not cry on the wailing wall. We must try to act, and that is what we are doing in the Brussels executive, in liaison with the SDR [Regional Development Society] and SRI [expansion unknown]. I also hear it said that Brussels lacks institutions. I believe the exact opposite is true. As soon as we have an industrial problem, five levels of decision are superimposed. That is three too many. All the more so since the jurisdictions of those levels overlap, for example in the matter of infrastructure. To sum up, I believe what we need to do in Brussels is rationalize our institutions, endow the region with legal personality, and have an assembly to which the Brussels executive would be responsible.

#### The North-South Dialogue

Georges Desir: I agree with M Hatry's closing remarks. We must finally apply article 107 quater of the constitution and organize the Brussels region. As for the yoke, it is striking to see the 100,000 Francophones exiled to the periphery. It is regrettable to see Brussels, a European city, prevented from spreading naturally. Brucargo, for example, was started at Zaventem. The link with Brussels is evident, and yet, no, it is Flanders.

Jean-Louis Thys: The people of Brussels have had enough promises of happy days, and I am struck by the lucidity of the Francophones on the periphery.



We must certainly distinguish the yoke from the Brussels economic area. When we have made Brussels a city where minds meet, rather than a city of opposition, we shall be able to go forward. We must reject standpatism, and unite the efforts of all citizens of Brussels, both French-speaking and Flemish, to promote a north-south dialogue.

Philippe Moureaux: I agree with the essence of what has been said. I myself have suggested in my bill on the Brussels region that its institutions be simplified by maintaining three levels: the commune, a level which would include the urban area; the province; the region; and finally a national level. But I note that this government, far from moving toward simplification, has restored the provincial level by restoring provincial taxation.

Jean-Louis Thys: I shall remain attached to the province of Brabant until the Brussels region is organized. The province of Brabant can represent a solution, if need be, in terms of a plan which would be drawn up by the study group or the joint parliamentary commission.

Fusion or Not?

[Question] Are you in favor of a fusion between the French community executive and that of the Walloon region?

Georges Desir: To me it seems completely out of the question to carry out such a fusion before the Brussels region truly exists, with its democratically elected assembly, its executive responsible to that assembly, and its boundaries established according to the wishes of the populations concerned.

Jean-Louis Thys: I have always been in favor of fusion of executives. Brussels certainly has its specific characteristics, but it is important that the Flemish and the people of Brussels should be rooted in their community. And since everyone speaks of simplifying institutions, it seems to me that fusion is a factor of strength, that it brings added coherence. The Flemish have well understood that.

Philippe Moureaux: We are completely opposed to that fusion. It would negate the special character of regions which differ in their social character and their history. And the Flemish would then have the impression that two parties could negotiate the future of Belgium, and make Brussels a "rijksgebied."

Paul Hatry: Fusion of the region and community seems reasonable to me in the present state of our institutions. But when the Brussels problem is solved, fusion of assemblies and executives would seem difficult to me.

Jean-Louis Thys: As a region, Brussels must be the meeting place of two communities, and not a place of confrontation. But fusion of the region and community would so arrange matters that the people of Brussels and the Walloons would no longer be divided as they are now.



## What Consensus?

Philippe Moureaux: Louis Michel has launched an appeal for consensus among all Francophones. For we must be effectively present and together for the great community negotiation which will come some day. I note, however, that the Brussels liberals have fought hammer and tongs against that declaration by their chairman. Does that mean they do not want to be a party to that negotiation?

Paul Hatry: You misinterpret things. One must take account of the hypotheses advanced by Louis Michel in order to analyze his statements--something every commentator forgets to do! This Francophone front first of all requires solutions to such problems as distribution of communal funds, in which the people of Brussels are disadvantaged. The Francophone consensus will be possible only if a modicum of justice is restored in treatment of the people of Brussels. As for the jettisoning of Wallonia by the Flemish, that hypothesis is perhaps defensible in the long run, but it is not a present problem. I believe Belgium must not be abandoned. Brussels can remain a link if its people remain cooperative, intelligent, and open to solutions. Brussels, moreover, is becoming open not only to Flanders, but to Europe and the world.

## The Flemish in Brussels

[Question] The Flemish in Brussels seem to be adopting the policy of the outstretched hand. What do you think of that?

Georges Desir: The Flemish are realizing--though a bit late--that the Brussels communes were short-changed in the apportionment of communal funds. But we must be careful. Perhaps that was only a diversionary tactic to throw back responsibilities on Wallonia. But it is not so much a question of apportionment of resources as one of providing sufficient resources for all the communes.

Philippe Moureaux: I have great admiration for the Flemish. I am not anti-Flemish. What impresses me is their extraordinary strategy, which consists of betting at the same time on autonomy and on control over the state, and that with remarkable tactical flexibility. It is fundamentally necessary for the Walloons and the people of Brussels to understand that strategy. But that does not prevent the search for points of convergence among all the people of Brussels, including the Flemish.

[Question] And the concerted action among Francophones? Will there be a follow-up in your common platform?

Jean-Louis Thys: It is important that concerted action in Brussels go forward between Francophones and Flemish. It is just as important to begin it at the national level, so that Brussels will be a meeting place, as the majority of its people wishes.

Philippe Moureaux: I am astonished to see Jos Chabert, CVP deputy from Meise, leading the delegation of the Brussels Flemish, though he is not from Brussels. Is he then open toward an extension of the region's borders? I think we must not forget to concert the views of all Francophones. We have questions to ask the Walloons concerning communal funding. We must join together on common positions if we do not wish to be relegated to the fringe of the future center group on institutional reform. We do not ask that the Francophones agree on everything, but that they at least start from the same bases.

[Unsigned article: "The FDF-RW [Walloon Rally] is Breaking Up

[Text] The FDF-RW group in the Chamber is breaking up. RW deputies Henri Mordant and Mathilde Boniface have informed the speaker of the Chamber of their intention to leave the group their party was forming with the Brussels party.

Since their departure follows the recent defection of deputy and burgomaster of Schaerbeek Roger Nols, only five members now remain in the FDF group. So they no longer have the numbers to serve on parliamentary committees, since the Chamber's rules in fact provide that only groups of at least eight members may designate committee members.

The abrupt parliamentary break between the FDF and RW can be likened to the breaking of a rubber band progressively stretched to the limit.

A weighty factor in the decision by the two RW deputies seems to have been the setting up in Wallonia of the core of a new federalist political grouping to which Leon Defosset and Antoinette Spaak, former FDF chairmen, gave their support together with Andre Lagasse, one of the party's co-founders. The RW reportedly saw the founding of this group as a maneuver by its former partner to create its own satellite political group in Wallonia.

The problem created in the Chamber does not exist in the Senate, since there is no RW senator, and the FDF group does not have the numerical strength to sit on committees.

[16 May 83 p 2]

[Interview with Jean-Maurice Dehousse and M Geens, presidents of the Flemish and Walloon regional executives, respectively, by Guy Duplat]

[Text] Whither Brussels?: V - Dehousse: "Today, I do not Know What the People of Brussels Want."

To conclude our week-long series on the future of Brussels we questioned MM Geens and Dehousse, presidents of the Flemish and Walloon regional executives. For whether we like it or not, a part of the solution for Brussels is by way of the Caudine Forks of the two other regions.

Jean-Maurice Dehousse recalls his determination to make Brussels truly a third region. "We shall not abandon the people of Brussels," he says. But neither should anyone seek to take their place. "From them must come the will to build a region, and today I hardly feel that determination. I do not see clearly what the people of Brussels want."

M Geens, for his part, justifies the choice of Brussels as capital of Flanders. That does not mean, he says, that the Francophones are to be driven from their city. The central region of the country must be made into a city hospitable to the two communities and to the international world. Such a region would not be like the other two "since it would be closely linked to Wallonia and especially to Flanders." "We are quite willing to help the people of Brussels," he adds, "but then we, as Flemish, want to be treated politely there."

[Question] What institutional solution do you see for Brussels?

[Answer] I am a member of Freddy Terwagne's team which drafted article 107 quarter of the constitution establishing three regions in Belgium. I remain convinced that the best solution is the three regions with, of course, accommodations corresponding to specific regional characteristics. As Wallonia must take account of the German-speaking region, so must the Brussels region take account of the Flemish community. For myself, in any case, it is out of the question to give Brussels a discriminatory status, to make of it a ryksgebied.

[Question] And yet that solution has been awaited for 13 years. Is it not impossible?

[Answer] Twice we came very close to agreement on Brussels. First, in 1969 under the Eyskens-Cools government. After creating the group of 28, the government established the commission of 24 to deal with the problems of Brussels. At that time M Tindemans presented the grievances of the Brussels Flemish. You recall: "when you get on a streetcar, they speak French to you." We were very near a solution, and yet we failed. My conviction, which is drawn from various sources--for my father was a member of the commission of 24--is that the failure of that commission was desired. M Eyskens senior did not wish to assume the responsibility of forming a third region. Bonaparte already foreshadowed Napoleon.

[Question] And the second missed opportunity?

[Answer] That was in 1980 under the second Martens government. We were able to get all Flemish ministers to agree on a three-region system: an imperfect one, certainly, since the three regions remained under the tutelage of the central authority. We clearly felt it was the Flemish determination to have a stranglehold on Brussels that prevented further progress towards autonomy of the three regions. But it was better than nothing. I have always been certain that the federalist process is an evolutive phenomenon. We had there in embryo a balanced solution for the three regions.

Question What can be done today?

Answer We know what the Flemish want. M Geens calls Brussels the capital of Flanders. That is not said in innocence; it amounts to asserting a determination to carry out a gradual annexation of the territory of Brussels. And the Flemish technique has been clear for years: it consists of destroying the viability of Brussels' situation; of literally starving out the region until someday it falls like a ripe fruit.

In the face of this situation two problems arise: what do the people of Brussels want, and what will become of our country? If I favor the three regions, it is because I believe there is a will to a Brussels identity. But I do not now feel that will. I see no single man or party serving as a guide or beacon. The only interesting development was the common platform of the Brussels parties. But it ought to be given teeth.

I note no will in Brussels; there is only questioning. There was a time when M Outers' statements had more impact! The first thing to do is allow the elected Brussels deputies to express themselves. But there we see how this present government is backtracking as compared to the prior regionalization. It was always agreed in the context of the 1979 law--and I applied it several times--that regional executives, while remaining within the central government, could include elected representatives of their regions. But MM Demuyter and Hatry are doing nothing in this direction.

The second question is that of the very future of the country. One may certainly believe in and hope for creation of the center for study of institutional reforms. But it would mean the status quo for 10 years. I do not think that is possible. I think Flanders, and especially the CVP, want a new change. One need only look at the ultimatums by M Dehaene on regionalization of the five nationalized sectors. Yet that is not in the governmental agreement. But still, nothing prevents M Dehaene from saying that if the government does not do it, it will fall. I am still waiting for M Hatry to make an equally forceful demand for a Brussels representative assembly.

Those great strides towards an autonomous Flanders will leave the Walloons somewhat in the position of orphans, for many Walloons are given to nostalgia. But whether it wants to or not, Wallonia will have to react.

It does not wish to annex Brussels. Far from it. There are specific characteristics which mark Wallonia and Brussels. A Francophone sociological unity does not exist as such a unity exists in Flanders. You will not see in the Francophone world great groups of singers like those in Flanders. There is talk about the Flemish in Brussels, but never about the Walloons in Brussels. Nor should there be any fusion of region and community. That would be playing the Flemish game. On the other hand, I do favor an alliance of Wallonia and Brussels.

Question It is sometimes feared that the Walloons, and the PS in particular, may be prepared to abandon Brussels and negotiate immediately with the Flemish on conditions for a broadly autonomous Wallonia?

Answer I do not intend to abandon the people of Brussels to their fate. I know the Fourons too well not to fear a still larger Fouron in Brussels. If we move towards a considerable increase in the powers of regions, that can only be done through a new constitutional amendment. The voice of Brussels will then have to be heard.

Question In this Wallonia-Brussels alliance there are financial problems. The people of Brussels complain of being disadvantaged in apportionment of communal funds in favor of Walloon communes. And they have an interest in the system of tax rebates which you reject in favor of a system of grants by the central government?

Answer There is much talk of communal funds. But it must be remembered that the law of 1974 amended the Vermeylen law which strongly favored the Brussels communes. And we need only look at the problems of the city of Liege to realize that Walloon communes are not rolling in money! As for the problem of rebates, I note that M Hatry is not for it either; and besides, if we move towards that system we would have to allow for such factors as firms whose main operations are in Wallonia though their headquarters are in Brussels. That distorts the tax base.

Geens: "Brussels Must Pay for its Privileges."

Question You call Brussels the "capital of Flanders." Is that not provocative?

Answer No. I simply take my stand on the constitution, which grants the Flemish provincial government powers in cultural and personalizable matters which extend to the territory of Brussels as well. We are not foreigners there!

By making Brussels our capital we not only apply the Flemish adage "Flanders does not give up Brussels," but we have made that choice also because Brussels is a good starting point for spreading abroad our ideas, our culture, and our economy. Brussels is an asset we want to use. Every day, telex messages from Brussels reach every capital in the world. Everyone knows the Belgian capital. That is important.

Question But when you speak of "our capital," is that not a determination to annex Brussels outright to Flanders?

Answer No one wants to drive the Francophones from Brussels, or annex it. We simply ask that Brussels be hospitable to the two communities, as it must be towards foreign countries.



[Question] What is your "solution" for Brussels? Is not the present chill terrible?

[Answer] I have noted on several occasions that enterprises established in Brussels feel themselves reduced to short rations, and that they would like to be associated with our initiatives.

[Question] You want to extend your economic powers to Brussels?

[Answer] No. Realistically, before talking about powers we must first ask what is Brussels' role. That is the first question. Fifteen years ago Paul Vanden Boeynants proposed making it the financial center of Europe. That challenge was muffed. Nevertheless, let us now try to make Brussels an international city, open to the whole world, and also hospitable to the two national communities which must be associated in the management of Brussels. These few considerations already show that Brussels cannot be a region like the others, that it cannot simply copy the organization and powers of the other two regions.

[Question] You wish to make it a state territory managed directly by the national government, a "ryksgebied"?

[Answer] No, that is not it. We know perfectly well that is impossible. But the analysis must be pursued. If we look at the economy of Brussels we note that it is very dependent on the other two regions, and particularly on Flanders. Brussels has every interest in maintaining those economic links with the other regions, and especially with Flanders.

We can also analyze the financial resources of Brussels, for example the grants it receives. They are very small. But that is a consequence of this regionalization which the people of Brussels themselves wanted. They were blinded by the FDF, and that is the result! I do wish to emphasize, however, that the financial misfortunes of Brussels should be seen in relative terms. Certainly Brussels has no right to the rebate system applied to the other two regions until it achieves legal personality, but its grant is indexed to the state budget, whereas ours is permanently fixed by law.

But those financial resources are open to discussion. Flanders as well as Brussels has an interest in revision of communal funds apportionment, and in modification of the area standard which determines apportionment of resources. Flanders, too, is willing to contribute money for Brussels, which is worth something. But then we Flemish must be treated politely there.

[Question] That is blackmail and racketeering: money for institutional reforms!

[Answer] No; I never blackmail. It is logical. Some Brussels Francophones were blinded. But things are moving today. There is a desire to negotiate. This development is not unrelated to the present financial situation of the



Brussels communes. One would like to call on both communities for money, and especially on Flanders, which has the most resources. If an appeal is made to us, it is natural we should put forward our conditions for discussion.

[Question] What is your plan for the future Brussels region?

[Answer] That will depend on the coming discussions. I repeat that for my part the essential element is to begin by determining the role to be played by Brussels, and only then to deduce the powers and institutions it should have. But it is clear those institutions will have to be simplified.

[Question] How many communes should there be?

[Answer] For me, a single large commune. We Flemish should also have our word to say in all decision-making bodies, and should be able to have our wishes honored by them.

[Question] So you want Flemish-Francophone parity within that executive, even though the Flemish in Brussels represent but 20 percent of the population?

[Answer] Parity within the executive authority of Brussels already exists today, if we except the president. We shall not give it up. Moreover, executive decisions must be unanimous.

My plan is thus a Brussels commune like those of Liege or Antwerp, and two interacting community executives.

In any case, if there is a desire to oppose Brussels to the Flemish community there will be no solution!

[Question] Even though you do not want it, and are simply asking for complete application of the 1980 law, we could see in the next few months a considerable extension of regionalization with Brussels still remaining in the freezer. Is that possible? Is not a solution for Brussels the prerequisite for everything?

[Answer] Oh, let us beware of postponements. There have been so many announced which were never observed. And if Brussels is still in the national government, it also derives advantages from that!

[Question] In closing, what message would you like to give the Brussels Francophones?

[Answer] Every citizen of Brussels must understand that for him the ideal solution consists of having a good relationship to both communities. I do not ask him to make minute calculations, but he must know his region has more important economic links to Flanders. The people of Brussels are privileged to live in an international city known the world over. They are citizens as others, but have more assets in hand. They must use them properly.

## SCHLUTER BACKED IN DECISION TO STAND UP TO DEFY SDP

Copenhagen BERLINGSKE TIDENDE in Danish 28 Jun 83 p 9

[Op Ed article by Poul Dam]

[Text] An opinion poll has shown that a majority of the people agree with the government that it should remain in office, even though it will occasionally have to put up with Folketing resolutions that run contrary to its own desires. That is good--and it is useful that this has been made clear.

Several Social Democrats maintained in their speeches concerning Constitution Day that the government is moving on the border of the constitution when it refused to take the extreme consequences of its defeats in the halls of parliament, but either signed the laws Folketing passed over the votes of the government parties or postponed issues when it was clear that it would be defeated by a majority in Folketing--at least at present. Now it is no secret that so little is known of the constitution that politicians can easily get away with saying anything they want to about what it contains. But even so--let us make it perfectly clear that the Social Democratic allegations are pure nonsense. The parliamentary principle is definitely not based on a government having a majority behind its proposals on every issue and it does not prohibit a government from administering the policy of its opponents. It simply states that a government must step down if Folketing expressly demonstrates its lack of confidence in the government. Until that happens, the government is free to decide whether or not to accept some defeats.

But of course the Schluter ministry has put new style into the realization that we have a divided Folketing that makes it impossible to obtain anything even vaguely reminiscent of a solid majority. Under these circumstances, the least poor minority government has an obligation to continue to rule under the conditions Folketing will give it.

However, responsibility for the results does not lie with the government alone. Or, more precisely, the responsibility lies especially heavily on those who can swing the vote--the Radical Liberals. On almost every issue, a Folketing majority is reached when the Radicals choose sides--sometimes

for and sometimes against the government. No doubt this happens after very serious deliberations--I always like to believe the best about other people--and it should too, for the Radical policy of "switching sides every other time" runs the risk of placing such a large burden on the political system that the government will be forced to give up.

But an election will not resolve the problems as long as there is such a fine balance between the wings in our political life as the opinion polls indicate and as long as the Social Democrats insist on following a line of confrontation. (The Social Democratic excuse, that they are only doing what the nonsocialists did in Anker Jorgensen's day, is understandable, but it will not work in the long run. Popular rule cannot live with a policy of confrontation.) Agriculture's H. O. Kjeldsen spoke recently of the Weimar Republic and that was not an unreasonable comparison--but it may not have had much impact, because most people have forgotten all about that period in German politics.

But the central thing then was that the parties preferred stubborn confrontation to flexible cooperation and that respect for the democratic parties was undermined because the real problems of society were not solved. However, cooperation requires mutual consideration, if anyone has any doubts about that, and occasionally one must be ready to go out of one's way to be accommodating.

Most of the voters also understand that very well. No party that wants to be responsible should believe that its voters prefer confrontation.

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## SCHLUTER WEIGHING POLITICAL STRATEGY ALTERNATIVES FOR FALL

Copenhagen BERLINGSKE TIDENDE in Danish 28 Jun 83 p 9

[Editorial: "The Government's Plan"]

[Text] There is no reason to get upset if an extra round of meetings is not held in Folketing this summer. Holding meetings is not in itself an indication of good parliamentary work. The important thing is what the meetings are about. And the government has made no promises to hold any summer meetings.

When Folketing went on vacation on 3 June, the circumstances were quite dramatic. The government found that it could not get majority support for the proposals on the agenda. It had been thought that the issues of farm support, housing construction and block grants could be wound up in parliament, but it turned out that this could not be accomplished in a manner satisfactory to the government. Therefore the prime minister requested that debate on these matters be postponed so that new committee discussions and talks among the parties could be initiated.

The only information Poul Schluter gave Folketing about the government's deliberations was that "the near future" would be used for talks about the closest possible cooperation on the policies that are needed. Under the existing circumstances, this was a correct decision. It would not have been satisfactory either for the government parties or for others if Folketing had made decisions on the existing basis. It was sensible that both the government parties and their support parties, as well as the Social Democrats, gave themselves time to think things over.

Within a few weeks, the prime minister will make an announcement on the government's plans. He can then say that there will be a number of meetings in September or he can say that there will be no meetings in Folketing before the beginning of the new parliamentary year in October. The first would depend on intensive talks among the parties during the summer as to what a September session would be used for and unless a majority has been secured in advance that will vote for the things that need to be passed, it makes no sense to interrupt the vacation. If the government prefers to wait until the beginning of the parliamentary year, the prerequisite

is that it comes up with a plan that covers more and different matters than those Folketing left behind in June. It should be a plan that involves the 1984 budget in the discussions and therefore includes overall economic policy.

These are the kinds of things the government must consider in the next few weeks. This will cut down on vacation possibilities, but these considerations could be quite decisive for the government's future. Even if some people are impatient, the government should take the time it needs. As long as Folketing is not in session, at least nothing will go wrong.

6578

CSO: 3613/143

## CENTER-DEMOCRATS' JACOBSEN: SUPPORT FOR COALITION IS SOLID

Copenhagen BERLINGSKE TIDENDE in Danish 4 Jul 83 pp 2, 1

[Article by Solveig Rodsgaard]

[Excerpt] "When we helped Hartling form a government, we dropped from 14 to 4 seats. When we supported Anker Jorgensen from 1979 to 1981, we were constantly below the percentage barrier."

So said the political leader of CD [Center-Democrats], Erhard Jacobsen of CD's political role after the latest Gallup took away two-thirds of the party's seats, leaving it with only five. He added:

"Those in charge of the government run off with everything. Hartling did too at one time. And we know that will happen in advance."

So he does not believe that the results would be the same for CD on Election Day?

"No, the situation then can be quite different and CD's experience suggests that opinion polls and election results have always been two vastly different things for us."

Does he think that the voters in any of the opinion polls are going from CD to the Conservatives?

"They probably do. But what kind of voters are they? The fact is that we do not have any firm core of voters. It could be entirely different voters who will give us 9, 10, 11, 14 or however many mandates we get on Election Day, in place of the voters who voted for us last time and have now deserted us."

Is it the party's problem that it does not have a faithful core of voters?

"Yes, it is. But we have nothing against that, since we are not a party with an ideology. It is obvious that if one is called the Christian People's Party, one has a very definite job. And one can discuss what is meant by liberal and conservative. And also what is meant by Social



Democracy. We do not support privatizing the economy as a principle, we simply feel it is good to do so in a number of cases. And of course we are even less in favor of nationalization, state takeover, as a principle. But we know that a public sector of a certain size is necessary. We have a practical and sensible position on a number of matters and there will always be some people who agree with what CD says. But it does not have to be the same people each time. And that is our lot."

Erhard Jacobsen said that CD feels that under no circumstances should the government collapse due to internal disagreement.

"I think that other government parties will see things the same way. It was an historic event when we set up the four-leaf-clover government and it was really very hard to form such a government after Hartling had struck out in 1975. Therefore we are all obliged to ignore the fact that the party gets a little bigger or a little smaller for a while. The important thing is that we are doing a job that no one else would do if we stopped doing it."

The Liberal Party also suffered a decline in the latest Gallup poll. Foreign Minister Uffe Ellemann-Jensen said that of course this is annoying, but it will make no difference at all to the party's continued determination to pursue its economic-political line and to pursue a responsible and serious foreign policy.

6578

CSO: 3613/143

## COOPERATION BETWEEN INTELLIGENCE AGENCIES, BORDER GUARD WORSENS

Bonn DIE WELT in German 25 Jun 83 p 8

[Report by Manfred Schell from Bonn: "BND [Federal Intelligence Service] and Office for the Protection of the Constitution Deplore Great Gaps in Security Network--Former Minister of Interior Baum's Coordination Guidelines Have Not Proved Themselves"]

[Text] The coordination guidelines put through by former Federal Minister of the Interior Gerhart Baum, FDP, against various kinds of opposition, delineating the responsibilities of the Federal Border Police [BGS] and the Federal and Land Protection of the Constitution [VfS] offices as well as the Federal Intelligence Service (BND) have had serious consequences as far as the effectiveness of the security authorities is concerned. According to information that has reached DIE WELT, the volume of reports for the BND at the inter-German border has dropped 28 percent. The VfS deplores worsening gaps in counterespionage and the surveillance of extremists.

According to information of DIE WELT, a conference therefore took place at BGS headquarters at Koblenz on 20 April 1983 concerning coordination with the BND, at which the BND [several words dropped in print]. ...reports concerning events on the transit routes and in the "GDR," since the time when the new coordination provisions of late 1981 and early 1982 went into effect, a drop of 39 percent has also occurred in the field of document photography. In light of these developments, the BND pointed out that this could lead to serious intelligence gaps in assessing the situation in the "GDR." The BND has also repeatedly pointed out these losses to the Office of the Federal Chancellor--the last time in November 1982.

## First Changes

There are differences of opinion, which have also played a part again and again in joint discussions, concerning the reasons for this. Investigations have shown that there are wide gaps in results between individual offices of the BGS. The BGS tried to defend itself, among other things, by pointing out that at individual BGS locations, such as in an area in Helmstedt, there occurred "leadership problems" or travelers with information on the whole had become more reserved--not least because travelers and officials continued to be under

constant observation by "GDR" border officials, since as yet new construction to guard against visual surveillance had not materialized. On the other hand--and this appears more significant--information for the BND has also been hampered by the fact that, on the basis of prevailing coordination provisions, the BND is no longer on the "distribution list" of reports elucidating events on the transit routes.

First changes to remedy this situation have, however, been introduced. The BND, for its part, will increase its individual requests to the BGS. An intermediate solution, running counter to the Baum instructions, has been found allowing the BND to share FGS information--as a rule, concerning evaluated reports and concerning the situation centers of the ministries responsible. What is involved here is reports about travel authorizations and checks in Eastern bloc countries, particularly in the "GDR." Federal Minister of the Interior Zimmermann has been sent a letter by the head of Office of the Federal Chancellor, State Secretary Waldemar Schreckenberger, which states that an immediate sharing of the BND in the reports, in light of the expenditure, the speed and the completeness, would yield a considerable improvement of the flow of information. Zimmermann has not yet reached a decision about this request by the Office of the Federal Chancellor, the office of oversight for the BND.

#### Report Accompanying Persons As Well

Independently from the BND demands, which appear plausible, there exists a detailed position paper of the Federal Office for the Protection of the Constitution (BfV) in Cologne of a more recent date. It states among other things that VfS offices in the future would have to expect "considerable losses in information." Moreover, it was hardly consistent with the mission of the VfS that data included only persons accompanying DKP officials or its ancillary organizations but not officials from DKP-influence bodies. This disadvantage was also making itself felt in the extreme rightist area. What the BfV wants is that in the future in every case the persons accompanying named "target persons" be reported--without restriction. Experience has shown, the BfV argues, that "reports about accompanying persons often have greater significance than findings about the target person itself."

There also exist critical remarks by the BfV, which of course represents interests different from those of the BND, about the quantity of reports. In the area of leftist extremism, the BfV states, it has to assume that travel movements of leftist extremists and particularly delegations to the "GDR" to "a considerable extent are not recognized, or not reported, by BGS offices. This trend showed that the "criteria of concrete implementation" given to the BGS were not as perfect as they could be. What was strengthening this impression was the fact that only 40 percent of all travel reports passed to the BfV were based on requests for coordination to unnamed persons. This, according to the BfV leadership, permits the conclusion that "further gaps" had arisen in the gathering of information at the borders as a result of the new coordination provisions.

The BfV especially emphasizes the interest of counterespionage in concretely implementing the guidelines of coordination in regard to immigrants from East

Berlin and the "GDR," as well as other Eastern bloc countries. Particularly the Ministry for State Security (MfS) of the "GDR" was exploiting immigration for the purpose of infiltrating spies into the Federal Republic of Germany. This infiltration of agents could be prevented only by gathering the "most complete data possible" on immigrants in the field relevant to intelligence. Counterespionage is worried about the "legal" immigration of more than 100 persons, mostly students, from the "GDR" who attend universities in the free part of Germany and then look for jobs in industry or in the political area. The BfV presumes that these include "dormant" agents.

#### Concrete Demands

In addition the BfV believes that the report list of the FGS should include not only the DKP and its ancillary organizations but also the most important organizations influenced by the DKP, "because to the extent that their members and supporters travel to the Eastern bloc, this, according to unanimous evaluation of VfS offices, also occurs in the interest of the DKP." This was also true of so-called group journeys to destinations portrayed as "Patenbezirk" [sponsoring districts] for the DKP.

The BfV has therefore made some concrete demands. It demands a complementation of the provisions concerning the surveillance of the writers association of the "GDR" and the association of persons engaged in fine arts there.

Both organizations, the BfV argues, are "involved in the Western effort of the GDR."

8790

CSO: 3620/394

## NEWSPAPER COMMENTS ON CP'S RECONCILING TO OPPOSITION ROLE

Helsinki HELSINGIN SANOMAT in Finnish 10 May 83 p 2

[Editorial: "Communists Are in Opposition"]

[Text] The Finnish Communists have got their parliamentary group formally organized. The ultra-leftists who walked out of the group after the elections have now returned in silence and promised to follow the group's decisions with some reservations. The group for its own part has accepted also the disputed representative from Lapland as a member. The representative was elected to the parliament on the list of a private election association. During the week-end also the federal council of the Democratic League of the People of Finland, which is ruled by the Communists, held its meeting which this time proceeded without bigger disputes.

There is no reason to draw any far-reaching conclusions from these two events, which from the outside look surprisingly peaceful, in the development of the Communist argument. There are still fresh recollections of the central committee's recent meeting which did not reach a single unanimous decision. It only denied verbally the breakup of the party and made appeals in order to stop the parallel activities and integrate the parliamentary group. Nothing crucial could have happened so soon.

The situation is favorable to the settlement of the party dispute mainly because the Communists and the Social Democrats are now in opposition. According to the minority, this was the main reason why the dispute continued and got deeper while the majority was in the government.

At least in this respect, the parties of the dispute have to unify their policies: it is unthinkable to have two opposition policies within one opposition party. Whether the unifying opposition policy will be appropriate as to rejoining the government, like the federal council of the Democratic League of the People of Finland keeps hoping, or it will get tougher at the request of the CP's minority remains to be seen.

There is a lot to do together also in preparing next year's municipal elections. One of the main issues in the election work will certainly be criticizing the new party in the government, the Rural Party. The purpose is to win back votes lost to it in the parliamentary elections.



In the meantime, there is also the CP's representative meeting within less than a year, and the party dispute will be discussed also in the election of representatives. The invitation presented by the CPSU to the People's Democratic League's entire parliamentary group to attend a seminar in the Soviet Union next fall is not at all without significance in this matter.

The major problem in the Communist party's internal argument, the parallel organization of the minority faction with its newspapers, is still, however, totally unsolved. As long as they exist and they are managed by the same people with the same attitudes, there can be no end to the party dispute. Neither would it end in the imaginary case where the minority would become the majority and vice versa.

However, the reconciliatory voices are desired to be heard within the party now better than ever. Even the slightest signs of unanimity are something new in the constantly worsening party dispute. Only a relatively long transition period can make the parties ready for a final, lasting joint operation.

12190

CSO: 3617/120

POLITICAL

FINLAND

STALINIST-CP ORGAN DEFENDS CPSU INVOLVEMENT IN FINLAND

Helsinki TIEDONANTAJA in Finnish 4 May 83 p 2

[Editorial: "False Claims"]

[Text] Based on the report in HELSINGIN SANOMAT on the meeting of the central committee of the Communist Party, there has been false claims also in the Social Democratic press about what Grigori Romanov, member of the CPSU's political council, has said when meeting recently with the leaders of the CP. According to HELSINGIN SANOMAT, he would have listed organizations "tearing apart the CP", and according to him, one of these is TIEDONANTAJA.

Naturally, these claims are completely inaccurate. Such an estimate has not been presented. The purpose of such claims is to accelerate the demolition within the party, to create confusion, as well as to cover up the party's real press problem; in other words, the fact that so called Social Democratic press is not acting under the control of the party and that the party needs its own independent newspaper.

TIEDONANTAJA is published according to the rules of the CP and enjoys wide international respect. As to the circulation sections of TIEDONANTAJA, the publishing organizations of TIEDONANTAJA have repeatedly said that as soon as TIEDONANTAJA will be guaranteed an equal position within the circulation activity as well as when subsidizing the press, the requirements for dissolving the separate circulation sections are based on these facts.

12190

CSO: 3617/120

## POLL ON ATTITUDES TOWARD UNITED STATES

Rotterdam NRC HANDELSBLAD in Dutch 29 Jun 83 p 3

[Text] Amsterdam, 29 June--Easily 70 percent of the Dutch say that they are pro-American, reports a survey taken by the Dutch Institute for Public Opinion (NIPO) of 1200 Dutch citizens. NIPO conducted the survey after a study published in January by the Dutch Foundation for Statistics (NSS) had shown that "almost 50 percent of the population has a more or less negative attitude towards the United States and that there exists a broad base of anti-Americanism."

The result of the NSS count appeared peculiar to NIPO in the light of earlier NIPO investigations. NIPO investigator J. Stapel surveyed 1200 people, asking, among others, the same questions used by NSS on 950 persons.

With this new study of the attitude of the Dutch population towards America, NIPO wanted to check the validity of the NSS conclusion. The NSS survey in January and the NIPO survey in May 1983 do not present significant differences, says NIPO, but the NSS does not at all reveal how many Dutch are anti-American or pro-American.

"The statements designed by NSS do not constitute a scale. Some of the NSS statements include more than one topic, making it impossible to know which part the respondent reacted to. Also, several statements seem to have little or no relevance to pro- or anti-American attitudes," explained Stapel in his NIPO report.

NIPO maintains that the endorsement or nonendorsement of statements about the United States has nothing or very little to do with the pro or contra position. The NSS asked the people surveyed whether or not they agreed with ten listed statements. NIPO claims that these statements are worthless as a basis for calculating the number of pro- or anti-American Dutch citizens.

NIPO concludes on the basis of the new study that at least seven out of ten Dutch choose America when asked the question: "If for some reason you had to make a choice concerning the United States, would you choose: pro-American or anti-American?"

Anti-American attitudes, says Stapel in his study, are present on a broad basis only in about 1 of 6 Dutch citizens who rank themselves on the left or far left.

## PIRES ELECTION TO COUNCIL OF STATE CAUSES SURPRISE

## Members Listed Minus Pires

Lisbon TEMPO in Portuguese 16 Jun 83 p 4

[Excerpts] For the first time since it was established--as part of the process of constitutional revision--the Council of State can meet with all of its members present. For one thing, the Assembly of the Republic has now elected its five representatives, and for another, the issue of the election of the presiding judge of the Constitutional Court--who also has a seat on the Council of State--has now been resolved.

The five citizens elected in a plenary session of the Assembly of the Republic are Antonio Macedo and Raul Rego of the Socialist Party [PS], Mota Pinto and Nuno Rodrigues dos Santos of the Social Democratic Party [PSD], and Alvaro Cunhal of the Portuguese Communist Party. Mario Soares was first on the list of candidates submitted by the Socialist Party's parliamentary group, but the Socialist leader already has a seat on the Council of State by virtue of his office as prime minister.

As we go to press, there is no indication that the CDS [Social Democratic Center Party] might succeed in electing Lucas Pires, seeing that the centrists have only 30 deputies, or 8 less than the required minimum. It has been acknowledged, however, that the PSD might give up one seat on the council in favor of the CDS (it has not been possible to verify this), or that the centrists might benefit from a few abstentions in the PSD parliamentary group due to dissension over the PSD's choice of candidates for its two seats on the Council of State (reported elsewhere in today's edition).

In addition to the five citizens elected by the Assembly of the Republic, the Council of State's other members are: five citizens appointed by the president of the republic (Nobre da Costa, Henrique de Barros, Miguel Galvao Teles, Melo Antunes, and Figueiredo Dias); the chairmen of the regional governments of the Azores and Madeira (Mota Amaral and Joao Jardim); the procurator general, Pamplona Corte-Real; the presiding judge of the Constitutional Court, Marques Guedes; Prime Minister Mario Soares; and the speaker of the Assembly of the Republic, Manuel Tito de Morais.

By definition, the Council of State is the political advisory body to the president of the republic. It is to express its opinion in particular concerning the dismissal of the government or the dissolution of the Assembly of the Republic. The council's powers are purely advisory, however. In other words, the president is not bound by its opinions. The truth of this was proven at the very beginning of this year, incidentally, when Ramalho Eanes requested its opinion on the dissolution of the Assembly of the Republic: it was against dissolution (by one vote), but the dissolution occurred anyway.

#### Lack of PSD Unity

Lisbon DIARIO DE NOTICIAS in Portuguese 17 Jun 83 p 2

[Editorial: "Flight of Votes"]

[Text] The election of Lucas Pires to the Council of State constituted the first big surprise of this legislature. What was the source of the votes that enabled the CDS to gain a representative on that advisory body to the president of the republic? Voting is secret, so no one can identify the source of the votes that elected the centrist deputy. All indications are, however, that they came from "refractory" deputies in one or both of the parliamentary groups making up the current majority.

That switch in favor of a member of the opposition would be of no major importance if the parties recognized and accepted as normal practice the right of each deputy to follow his own conscience in Parliament instead of subjecting himself unconditionally to the corset sometimes represented by party discipline. But the circumstances in which this example occurred prevent one from minimizing the significance of the election of centrist Lucas Pires in place of Social Democrat Nuno Rodrigues dos Santos. First of all, because the man rejected is not only chairman of the PSD--and his position in itself should have provided enough motive for Social Democratic leaders to ensure his election--but also a man whose prestige goes beyond the confines of his party.

It seems that the respect due Nuno Rodrigues dos Santos would have made it advisable to keep his name out of this parliamentary fight, the circumstances of which made it possible to predict some uncertainty as to the election of the PSD's second representative on the Council of State, since several Social Democratic deputies were challenging the list of candidates as presented.

On the political level, the flight of votes to the CDS represents above all else a favorable response to the "request" made by Lucas Pires on the eve of the election, when he said that "the CDS ought to have a representative on the Council of State" because his party did not consider itself represented by the procurator general, a militant Christian democrat who is a member of the council by virtue of his office. The levelheaded tone of "constructive opposition" used by the centrist leader probably gained the favor of a number of deputies in the majority, since the hypothesis of a prior agreement with the Socialists has been dispelled by Carlos Laje, and the PSD's two "refractory" members would not have been enough to elect Lucas Pires.



The surprise in the Social Democratic bloc over the breach of voting discipline was made clear by a number of PSD deputies. If we relate it to the uneasiness caused by Pinto Balsemao's recent election as chairman of the Progress and Social Democracy Institute against the wishes of the Political Committee, and if we consider the uneasiness that still prevails in the party between the followers of Mota Pinto and those remaining faithful to the former prime minister, we must conclude that the solid support desired for the majority line in the PSD has not yet been achieved.

In any case, the flight of votes from the majority that has now occurred--and it may have contributed to an enrichment of the Council of State, considering that all the major parties are now represented there--justifies speculation concerning the guarantees of support that the PS and PSD parliamentary groups will offer the government. The future will show whether this has been just an accident along the way.

11798

CSO: 3542/149

## DISAPPROVAL OF HIGH MADEIRAN DEBTS EXPRESSED

## More National Outlook Urged

Lisbon DIARIO DE NOTICIAS in Portuguese 15 Jun 83 p 2

[Editorial: "The Costs of Insularity"]

[Text] The Regional Government of Madeira, at grips with a budget deficit which is expected to reach 15 million contos this year, is facing serious financial difficulties. It did not make a timely interest payment of 300,000 contos on one loan, it has obtained another loan of 3 million contos with difficulty, and it still needs a third loan of 9 million. Considering the lack of revenues, recourse to credit appears as the only solution for meeting commitments assumed in connection with the investment plan now in effect in that region.

In the opinion of its opponents, the time has arrived for the government headed by Alberto Joao Jardim to start paying the price of a development-oriented economic policy which has so far made it possible to reduce unemployment, increase the regional product, and achieve social stability. The only catch is that those benefits, naturally, are being reflected in a steady worsening of the regional public debt, which already totals over 11 million contos.

Madeira's economic situation differs from the national one, even though it is part of a framework of identical problems. Whereas restrictive policies have been adopted on the mainland to combat the deficits and inflation--at a high economic and social cost--Madeira has resolutely chosen an expansionist policy in public spending. That approach has led to growth in the construction industry and in public sector services, with a multiplier effect on economic activity and employment. But it is obvious that such an approach would be untenable in the long run unless the government were willing to take responsibility for the growing regional deficit.

Alberto Joao Jardim's defense is that "if Madeira, which is so poor in revenues, had pursued a different policy, almost nothing would have been achieved." And in fact, everyone knows how fragile and dependent on others the Madeiran economy is: its exports are centered around half a dozen traditional products (embroidery, tapestry, bananas, and so on), and its imports (food products and intermediate products) are tied to the mainland and subject to the escudo's fluctuations. In 1981, for example, current revenues did not exceed 5 million

contos, while the regional budget was on the order of 16 million. Throughout these years, a number of the population's needs have been met and certain infrastructures have been established.

The natural circumstances affecting Madeira--which is marked by insularity and "closed" to the outside because of structural deficiencies in the way of ports and airports--mean that a determined strategy for development, as advocated by those responsible for its government, is essential. They probably also justify an autonomous financial policy adapted to the structure and specific conditions of the regional economy. But implementation of that policy must take the limitations and the national objectives themselves into account. Madeira's progressive indebtedness is certainly no help in the consolidation of autonomy or in the Portuguese economy's recovery.

Jardim Rebuke, Newspaper's Reply

Lisbon DIARIO DE NOTICIAS in Portuguese 16 Jun 83 p 2

[Letter from Alberto Joao Jardim, chairman of the Madeiran Regional Government, followed by the editorial writer's reply]

[Text] "I have read the editorial in your morning newspaper--an editorial written in the tone of 'magister dixit' and in which, once again, the policy or facts in this autonomous region are being dealt with unsympathetically and superficially.

"It does not surprise me. We are familiar with the plans to which we constitute an annoyance, and we know whose plans they are.

"The only thing is that in order for your editorial to be clear, it should have enlightened us on the following points:

"First, the merits of the restrictive strategy being carried out on the mainland and the benefits accruing to the Portuguese people because of it.

"Second, the merits of the lack of aggressiveness abroad on the part of Portuguese policy when it comes to obtaining substantial support in means of payment for meeting our external obligations--for which, obviously, it would be necessary to accept domestic conditions imposed by the creditors.

"Third, what the national objectives are, since to date I have not seen them defined anywhere.

"Fourth, why it is that 'Madeira's progressive indebtedness is certainly no help in the consolidation of autonomy or in the Portuguese economy's recovery.'

"Fifth, whether or not it is an abuse that of the 80 million contos deposited in banks in this autonomous region, only a little over 20 million are invested in this politically autonomous territory.

"Mr Editor,

"I hope that you will not prevent the publication of these remarks for the enlightenment of your readers. Unless the mistreatment of those who can show that they have done something is necessary in this country as a way of justifying those who have done nothing."

Response by DIARIO DE NOTICIAS

The editorial concerning the Madeiran Regional Government's cash difficulties was not written in a professorial tone, nor was it unsympathetic or superficial. For that matter, the subject has been brought up in statements by that government's secretary of planning and finance, Suzano Franca. On the contrary, and as a result of his appeal, our remarks were intended to meet the "need for the government of the republic to be alerted so that the matter can be resolved as quickly as possible as a means of preventing serious disturbances in the regional economy."

That is not how the chairman of the Madeiran Regional Government construed our remarks, and we regret that. It is obvious that in such a brief text, we could not go into all the matters suggested by Alberto Joao Jardim. Moreover, it was not our intention to evaluate the merits of the economic policies being pursued in Madeira or on the mainland when we contrasted one with the other. In doing so, we merely wanted to point out that the restrictive strategy being carried out by the government of the republic--which, by its nature, means more difficult access to credit--would inevitably make itself felt in Madeira.

The 80 million contos deposited in banks in Madeira--where only a little over 20 million are invested--constitute an old and controversial issue. Alberto Joao Jardim is probably right when he says that it is the regional government's agencies which should be entrusted with Madeira's financial resources. But it is also known that the problem is neither simple nor easy to solve. Besides, it is also known that despite their love for their country, the depositors--especially the emigrants--want their savings to be safe and remunerative.

We would like to make it clear, however, that we do not share the view of those who try to present as antagonistic objectives the autonomy of the islands and the development of poor regions on the mainland. We have repeatedly expressed our support for the regional autonomy of Madeira and the Azores. But support does not mean refraining from criticism. Even less, considering the problems, does it mean hiding our heads in the sand like ostriches.

11798

CSO: 3542/149

## UNCERTAINTY DETECTED IN SPEECH BY SOARES

Lisbon A TARDE in Portuguese 21 Jun 83 pp 1, 5

[Editorial by Margarida Borges de Carvalho]

[Text] Soares speaks.

Appeals for consensus, tolerance, a political and social truce.

Statement of the need for political stabilization, a 4-year government, and not even any thought of early elections.

Almost authoritarian, Soares announces the obligation to lower the flag before his government.

Almost pleading, Soares urges that the battle be waged by all, with his government, since the crisis is "so grave."

A strange speech.

For one cannot see the legitimacy in asking for truces when none are granted. Of speaking of consensus when a policy of consensus is not pursued. Of asking others to lower their flags when one flies his own high.

The battle is to be waged by all, in fact. However, it is permissible for each individual to wage it as his conscience dictates.

A strange speech.

One would even say unnecessary. There is no need, or there should be none, for consensus or truce when a government has the largest majority in the history of the Third Republic. No need when a government, to use the language dear to Mario Soares, is composed of the largest party of the workers and the largest party of the bourgeoisie. There is no need when it is certain that the electoral verdict pointed clearly and overwhelmingly toward the formation of that government. There is no need when there is no opposition, properly speaking, other than two small antagonistic and irreconcilable groups to do battle with a majority of 70 percent of the deputies.

Why then such a speech?



Because the crisis is so serious that the government needs additional support?

Or because the support its own majority gives it is not a force on which it can rely, but conditional tolerance?

Two large parliamentary groups, although the program of their government is not yet approved, despite the refreshing winds of electoral triumph, are wrestling with leadership problems the solution of which will be delayed, painful and certainly unclear. One of the opposition leaders was elected to the Council of State, one does not know exactly how, but obviously with votes turned away from the majority. On the horizon are the polemic congresses of the component parties. In the shadow of the draperies in Belem is the martyred figure of a president expert in pulling the rug out from under others. In the streets, there is the possibility, which will certainly be confirmed, of a thundering CGTP [General Federation of Portuguese Workers] crisis.

It is the truth that everything is uncertainty with this government.

The consensus and truce address is, unfortunately, nothing other than the speech of one who feels the floor slipping out from under him, a political statement of the duty of others to follow him, as the only way of "keeping his footing" or as a singular method of having a good excuse, if such followers are lacking, in a future which may perhaps be not so cheery. Nostalgia in politics is not such a wholesome thing. But we cannot fail to feel nostalgia for the most affirmative speeches of Sa Carneiro, who asked no one for a truce, nor did he indicate that his government would have to depend on the good offices of his opponents.

5157

CSO: 3542/154

## RIGHT-WING INCLINATION OF NEW GOVERNMENT ATTACKED

Lisbon O MILITANTE in Portuguese No 96, Jun 83 pp 1-2

[Editorial: "The Reactionaries Must Be Ousted From the Government in Order To Defend Democracy"]

[Text] A new government is hastening to take the place of the departing AD [Democratic Alliance] cast of characters. Once again, Mario Soares and his PS [Socialist Party] have allied with the reactionaries and are playing their game.

The agreement between the PS and the PPD [Popular Democratic Party], which is the basis of the government they are seeking to form, constitutes a great threat to the Portugal of the April Movement. In this agreement, the great popular conquests are challenged: directly, the nationalization, agrarian reform, the rights of the workers; and indirectly, democracy itself.

A law delimiting the economic sectors which opens up the banking, insurance, fertilizer and cement sectors to private enterprise is unconstitutional and is also enlightening evidence of the nature of the "austerity" measures which the government wants to apply to the capitalists and big owners.

The "supplementing" of the agrarian reform law is an attempt to push the situation in a large area of the southern part of the country back still further, back to the days of fascism, to the era when its workers, men and women, old people and children were under the thumb of the large estate owners and suffered from poverty and hunger, persecution and repression.

Concerning the labor packet included in the agreement, it suffices to say that even the "pro-ownership" Torres Couto rejected it, in order to avoid losing the trust of the few workers whom he is still able to deceive.

This agreement, in which the CDS [Social Democratic Center Party] itself is included, is the continuation of that which was reached between the PS and the then extant AD concerning the amendment of the constitution.

The great threats of the revision law have raised their heads again. The probable assignment of the defense post to the agent of presidential candidate Soares Carneiro and current leader of the PPD, Mota Pinto, is a black cloud hanging over the armed forces, at odds with the spirit of April and with democracy.

Mario Soares and other PS leaders who took a stand against the candidate Ramalho Eanes in 1980 once again joined together with those who wanted to impose a fascist general as president of the republic. And also, statements concerning a joint strategy in relation to the presidential elections in 1985 are already in evidence, in the agreement which has now been signed.

Many voters who supported the PS on 25 April will now understand, perhaps somewhat dumbfoundedly, what they failed to believe then. Apparently there are others who still dream that this PS-PPD government can produce some impossible miracle.

This is spreading discontent with the leadership of a party which claims to be socialist but joins with the reactionaries to govern the country, joins with the reactionaries and agrees with them on a policy which serves basically the interests of these latter.

Discontent is affecting the workers, first of all, as it is they who will feel the effects of the measures being drafted most keenly, but it is also affecting the other antimonopolistic classes and strata, because the decisions of this Mario Soares government will work against them all.

There are moreover 100,000 workers in 225 enterprises who have not received their wages. More than 1,200,000 have had their collective bargaining agreements frozen. About a half a million have contracts being drafted.

It is natural that the struggle should intensify. The trade union movement is clarifying the existing situation and preparing to respond to the measures the reactionaries are seeking to impose through a new Mario Soares government.

The actions of the workers will be joined with those of the peasants, the small and average tradesmen and industrialists, the pensioners and all of those who defend their interests and the interests of the people and the country against the reestablishment of the monopolies and the large estates, against subservience to imperialism, against the dangers of the armaments race and war.

It is true that in the opinion of the vast majority of the public, the new PS-PPD government will not last many months, but only struggle will make what is expected effective. Only struggle can halt the right-wing policy that this government seeks to impose on the country.

The party organizations must follow up the situation by strengthening their ranks through the addition of all those who, aware of the need for struggle, are seeing the confirmation of the political analysis set forth by the communists and who are coming to understand how just their orientation is. At the same time, the enlightenment and the mobilization of the masses must be intensified so that a very broad united campaign can be waged on all fronts: in the enterprises and in the trade union movement, in the rural sector and settlements, among all of the working strata in our country, the democrats, the patriots and the friends of peace.

It is especially necessary to combat sectarian tendencies which exclude those who have been deceived and those who have been influenced (and still may be) by anticommunist preconceptions.

In our country there is an increasingly strong conviction, the fruit of the experience of recent years, that it is not possible in a democracy to govern against the workers, to govern while setting aside those who enjoy the confidence of a large part of the working world--the communists. Those who persuade themselves of the contrary will be defeated in their efforts.

But it is necessary to avoid ever underestimating the idea that it is not only the communists who are waging the battle or who are necessary to win the battle. There are many others, many other workers and elements in other classes, with different political positions, including many who have followed the PS, but who have seen, or are seeing, or will see that to defend democracy it is necessary to oust the reactionaries from the government.

5157

CSO: 3542/154

## DISADVANTAGES OF DECENTRALIZATION MEASURES DISCUSSED

Lisbon DIARIO DE NOTICIAS in Portuguese 20 Jun 83 p 2

[Editorial]

[Text] Decentralization is a term dear to the local government bodies. It represents the long-standing desire to break away from the traditional submission Lisbon demands of the provinces. Decentralization is a word which national governments also prize, since they repeatedly include it in their programs. It reflects the intention of satisfying that desire on the part of the people which, although far from the view of the government leaders, is not close to their hearts either. Only those intentions set forth during electoral campaigns and almost always reasserted when the ministers take up their posts in Sao Bento or Terreiro do Paco are rarely transformed into specific actions in the distribution of authority. And if some steps have been taken in this direction, they are short ones, and in the majority of cases, unrealistic or simply fictitious ones, if indeed they are not designed to get around the very concept of decentralization. This is the case with the proposed installation of secretariats of state and general departments of certain ministries at various points in the country.

This news was reported without reservation by an Oporto newspaper, and as far as we know has not been denied. It indicated that a secretariat of state for housing will be located in that city and that other government departments may be scattered throughout the country. There is no indication of the criterion on which this distribution will be based. In the case in question, it is known only that the holder of the ministerial post is a native of Vila do Conde, but this is certainly not the basic reason for which the secretariat of state for housing, rather than some other, will be placed in Oporto. No one would ever think of locating the Ministry of Parliamentary Affairs in Cabeça, a municipality of Seia, the Ministry of State for the Treasury in Celorico da Beira, the Ministry of State for Emigration in Gondomar, the Ministry of Social Affairs in Ervedal, the Ministry of Labor in Faioes or the Ministry of Education in Vilarouco.

If the basis were not the birthplace of the ministers and secretaries of state, but rather a direct relationship between the problems of greatest concern in each of the localities and the ministry with the task of resolving them, it would be no surprise if the Ministry of Trade and Tourism were to go to Monte Gordo, or if Vilar de Perdizes claimed the Ministry of Health. This

would create a new basis for polemics to nurture regional conflicts, perhaps more serious than those pertaining to Crestuma and Lever.

The problem of decentralization is obviously not resolved by dismembering the government departments, particularly since they are oriented toward problems of national scope and they cannot enjoy even fictitious autonomy, since their activities require them to maintain an umbilical link with the mother ministry. The placement of secretariats of states and general departments in various cities throughout the country may give each of these the illusion of power, but it is not true that this would contribute to the better functioning of the departments. On the contrary. Since the traditions of Portuguese bureaucracy are known, there is every indication that this would only contribute to creating greater difficulties in the relations among the various bodies.

The experiment now being announced corresponds in practice to what has happened in the Azores since regional autonomy was sanctioned. The distance among the various islands, the predominance of certain specific activities on some of them, and even the traditional rivalry between the populations of the larger islands counseled the adoption of such a system which, although apparently beneficial from a political point of view, has constantly created problems of coordination and management in daily government activities. Will the creation of "administrative islands" on the continent reflect a government attempt at "Azorianization?"

5157

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## SOURCES OF OPPOSITION TO GOVERNMENT EXAMINED

Lisbon EXPRESSO in Portuguese 16 Jun 83 p 3

[Article by Jose Antonio Saraiva: "Strong Without and Weak Within"]

[Text] What can be said about this government is that never has one had such a strong majority and such a weak opposition with which to deal.

The government represents two-thirds of the citizens who voted in the last elections, which means that only a third of the electorate can be dissatisfied with the government which has now taken office.

And there is one advantage: a good portion of this third of the voters who might possibly be discontent is situated on the extreme left, and another portion is on the extreme right, such that they could never reach agreement to cause the government trouble.

Therefore the position of the government is solid and seemingly indestructible.

Since this is the case, how can the difficulties encountered by Soares in appointing his cabinet be explained?

How, for example, can we explain his difficulty in obtaining a minister of finance? And how should we view the fact that the prime minister of the strongest government ever formed in Portugal since 25 April, and one which therefore should be invested with considerable power, has throughout this process given evidence of so much weakness?

The case of Maldonado Gonalves is simultaneously an exemplary and a grotesque one.

Soares wanted Gonalves in the Ministry of Labor.

The UGT [General Union of Workers] did not.

What did Soares do?

He appointed him to the Ministry of Health.

In other words, the prime minister was not strong enough either to impose the choice of Maldonado Gonetinho on the UGT or to inform him that he would not be among the cabinet officers.

To the point that one might say that if the UGT had been prepared to oppose the former minister of labor in the health sector, Soares would have considered one ministry after another until he found one where he was not challenged.

What can be said about Gonetinho is valid for the other cases--and not only in the Socialist Party.

In truth, what seems to be the case is that the philosophy governing the appointment of this cabinet was not to seek individuals to suit the posts, but to find posts for certain individuals the party had to appoint as ministers.

Now this means relative fragility on the part of Mario Soares and Mota Pinto.

It means, basically, that neither one has the authority in his party which in principle a leading personality would have.

And, lacking that, in the end they exercise their power through compromise, making second choices whose personal loyalty is guaranteed by the distribution of posts.

The cabinet now installed is an accurate mirror of this situation.

A large number of the cabinet posts were not filled by competent persons, but were distributed either to men faithful to the two leaders or to politicians whose complicity they wanted to buy.

In this respect, it must be recognized that the criterion used by Francisco Sa Carneiro when he formed the Sixth Constitutional Government differed substantially.

Which means, of course, that Sa Carneiro had an authority over his party which Soares and Mota Pinto manifestly do not have.

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## COMPROMISE POLITICS KEY TO NAVARRE GOVERNMENT FORMATION

Madrid YA in Spanish 22 Jun 83 p 8

[Article by Julian Oroz]

[Text] Jose Angel Zubiaur, the UPN (Navarre People's Union) candidate for president of the government of Navarre, failed, as had been expected, to obtain an absolute majority of the votes in the Chamber yesterday. In this first round of voting, he received the 21 votes of the representatives of the UPN (13 seats) and the AP-PDP-UL (Popular Alliance-People's Democratic Party-Liberal Union) (8 members). The 20 PSOE (Spanish Socialist Workers Party) and 3 Basque Nationalist Party (PNV) voted against him. Thus, Zubiaur will not obtain an absolute majority in tomorrow's second round either. Given the fact that the PNV has announced that it will continue to vote against him, neither can the UPN candidate be elected president of the Navarre government or representation in the third and fourth rounds (which will be held on 25 and 27 Jun), since he cannot win a simple majority, as required by law in such cases.

The debate began with the intervention of the socialist spokesman, Gabriel Urralburu, who attacked the program speech presented by Zubiaur, criticizing especially its indefinite character, on the grounds that it failed to establish priorities for government action and also to quantify the resources to be assigned to each priority project. Urralburu asked about specific points in the program and, in particular, Zubiaur's intentions with regard to continuing the second phase of the Navarre autoroute. In his reply, Zubiaur declared that he could not make his program more specific since realistic government action required the adjustment of measures and their application from day to day. As for the subject of the autoroute, he indicated that he favored building a highway to join Irurzun and Guipuzcoa over the stretch now envisaged as the continuation of the Navarre autoroute.

Subsequently, Viguria, the UPN spokesman, intervened, emphasizing the effort that his group had made to present a candidate, even though the PSOE and not itself was the party with the largest number of seats. Referring to the relative strength of the parties in parliament after the 8 May elections, he stressed the difficulties entailed in forming a government for the special law community. In this connection, he noted

that the several parties will have to make a common effort, each putting aside its own particular interests and giving up part of its program, if a minimum of government is to be established in the special law territory.

Following this, Jose Luis Monge, spokesman for the AP group, took the floor; he referred to the support that his group gave the UPN candidate and to the fact that, as a result of the agreements between the two groups, there would be several AP-PDP-UL representatives in any such government. In a similar vein, Monge appealed to all groups to reflect on the special government situation in which Navarre found itself, and, finally, he called upon "governors and governed" to "pull together" in order to bring the ship safely to port.

Finally, Inaki Cavases, spokesman for the 3 FNV representatives, spoke. Cavases concentrated in his remarks on criticism of the indefiniteness of Zubiaur's program and asked him, in particular, when and how the government would carry out certain actions that the presidential candidate had expounded the day before.

Cavases made special mention of the points in the program relating to the Basque culture and promotion of the Basque language and also pointed out that Zubiaur had in no way clarified his government's concept of the kind of relations that would be established between the special law community of Navarre and the autonomous Basque community. For all these reasons, and also because the measures to encourage private initiative in order to emerge from the crisis were insufficient in themselves and would only serve to patch things up, Cavases announced that his group would vote against the candidate. In this connection, he indicated that it was contrary to practice that this point had been reached without the UPN's calling upon the PNV, whose votes any successful candidate must have, to negotiate on the establishment of a government program in the formulation of which the Basque nationalists would participate.

It was already 2 pm when the voting took place, with the outcome note above. The immediately following sessions, which are being convened only to enable further rounds of voting to take place, will be held at 12:30 pm. In view of the fact that the nationalist representatives will continue to vote against him, rumor has it that, in the end, Zubiaur will withdraw his candidacy, but the candidate has declared that he still has hope and will not withdraw.

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## DEFENSE PAPER TO CONTAIN CUTBACKS IN ALL BRANCHES

Amsterdam ELSEVIERS MAGAZINE in Dutch 18 Jun 83 pp 10-12

[Article by Frank Lafort: "Shortages of Everything and Then Still Cutbacks"]

[Text] The three branches of the Dutch military will soon have to take a sharp funding cut in the new Defense Paper, say the three Defense experts of CDA [Christian Democratic Appeal], VVD [People's Party for Freedom and Democracy] and PvdA [Labor Party]. The navy, air force and army must place priorities in the context of NATO.

In view of the government's chronic fiscal shortfalls, the Netherlands will be unable to avoid sharply cutting funds for the three military branches--navy, air force and army--in the coming years. On this, the three major Defense spokesmen of the CDA, VVD and PvdA agree. They thus have little problem with the fact that Defense Minister De Ruiter is to embody a kind of "reducing program" in the Defense Paper to be made public this fall. The chairman of the VDA Defense Commission in the Second Chamber, A. B. M. Frinking, says: "All service branches must accept reductions soon. What good are, for instance, 150 airplanes that you can hardly keep in the air for lack of spare parts, fuel, adequate training facilities and so forth? You're better off with an air force of, say, 125 planes that can also take on more missions."

The Liberal Defense expert, J. D. Blaauw, says that an "honest study" must be made of each military branch to determine what can be eliminated or reduced in the way of missions. Blaauw says: "There is hardly any leeway in our defense budget in the coming years. Defense has always sought the best possible. In the Defense Paper of 1974 issued by the Den Uyl Cabinet, it was established, for example, which naval squadrons we deemed necessary for the fulfillment of our NATO obligations. In the context of the new Defense Paper, we could ask, for example, whether the 1974 target figures are still valid. We must sit down with our NATO allies and ask how things can be done in the future."

Social Democrat H. van den Bergh, vice-chairman of the standing Committee on Defense in the Second Chamber, mentioned during the budget hearing on Defense (9 March 1983) that, given the precarious financial situation, this department cannot be treated with kid gloves and that consultation in NATO are unavoidable.

Van den Bergh made the statement: "Without growth in the economy, we will not be able to maintain the armed forces at the current level. If you want to do that, you must review missions or postpone new procurements. This is complicated by the fact that a good conventional defense is needed if the Netherlands wishes to maintain its political position and credibility in the Atlantic Alliance." Few deny that there are major problems in 1983 in the military machine.

When Minister De Ruiter took over the portfolio from his predecessor Van Mierlo on 4 November last year, he found some disconcerting facts in the "Information Packet for New Members of the Government." Due to the accumulated cuts, the Royal Navy now cruises ten-percent less than required by the NATO exercise program. Ammunition shortages exist for the guided weapons on the ships. There is still a lack of an air-defense weapon for new frigates for (very) short range. For this, the Goalkeeper has been developed in the Netherlands. There is a great shortage of technical personnel in the navy.

CDA Defense expert H.C. Couprie, claims that this is due chiefly to the fact that the turnover is so great: "After 4 years, most of them muster out. It's mainly the domestic situation that is responsible. We see the divorce rate increasing rapidly in the navy. I don't dare ask my former colleagues how their spouses are, because you can never be sure if they're still married."

In the navy there is also the need for long-range reconnaissance planes, says Liberal Chamber Member Blaauw, who advocates a larger assortment of missions for the naval air force: "Take the North Sea, for instance. Its surveillance has been delegated to various departments. This decentralization costs money. The Ministry of Transportation and Waterways has rented its own Cessna for the North Sea. Environmental will soon have its own fleet of aircraft; the National Police has very advanced seagoing vessels and the Directorate of Navigation and Maritime Affairs also has its own assortment of equipment. This extravagance can be avoided if the naval air force is equipped with suitable Fokker Maritimes of Dutch manufacture."

According to Blaauw, this investment has three advantages: it will assure employment at Fokker, foreign clients will be better convinced if the naval air wing flies Dutch planes, and the Fokker plane is cheaper to operate than the more expensive Orion of American make.

The problems are no fewer in the army. Because of financial retrenchment, this service branch has a 12 percent lower fuel allotment. Exercises are carried out as close to the barracks as possible, where optimal use is made of simulators for instruction in formation flying and shooting in order to save fuel and ammunition. There is, specifically, a critical shortage of antitank and artillery ammunition, mines, antitank weapons and devices to counter electronic warfare by the Warsaw Pact. The Information Packet claimed that "there is a severe strategic defect in the lack of long-range radar for the detection of enemy artillery and in the lack of night-sighting devices for antitank weapons."



Here as well, the personnel shortages are most obvious in the technical sector. Couprie and Blaauw further point to the problems which have been raised concerning the reaction time of the First Army Corps in the Federal Republic of Germany. Ten Dutch brigades with support and supply units have the mission to defend the North German Lowland if need be. Of these 10 brigades, only 1 is actually stationed in West Germany. During a possible emergency, the remaining 9 units would have to be transported from the Netherlands to the FRG in all haste.

Because the financially distressed Netherlands has rejected the NATO request for stationing a second brigade in the FRG, the allies say that the reaction time of the First Army Corps must be improved. The Dutch Government and Parliament have agreed with this. But Defense has so far failed to purchase the railroad cars for the transport of heavy military equipment. These flatcars are an essential component for the delivery of Dutch troops and equipment. If this equipment is not fast coming, say both Couprie and Blaauw, then the readiness of NATO will be undermined.

And then there is the air force. According to the Information Packet, this branch of the military "lies on the borderline of the acceptable, with 160 annual flying hours per pilot. This minimum set by NATO is 180 hours. The present number of pilots, 1.2 per aircraft, is very tight, but money is lacking to attain the desired increase to 1.4 pilots per craft. The NATO form is 1.5. By combining several services at the airbases at Eindhoven and Gilze-Rijen, operating costs have been further reduced."

The air force is also suffering a shortage of air-to-air and air-to-ground missiles. For these latter weapons, the Information Packet claims, "there is still no laser guidance system. The strategic risk is growing, too, because of a shortage of devices for electronic warfare."

In addition, a decision must now be made on the purchase of the--very expensive--conventional American Patriot air-defense system. This missile is to replace the Nike missiles, which can also be equipped for nuclear missions. This is a careless investment of 1.4 billion guilders.

"These weapon systems are threatening to become unaffordable for the small countries in NATO," says PvdA Chamber Member H. van den Bergh and goes on to state: "In the face of gigantic financial costs, Belgium has already pulled out of the Patriot program. The Patriot is relatively speaking too costly for the Netherlands with its 4 squadrons, when one considers that the Americans are purchasing no fewer than 50 and the Germans are buying 28 squadrons of this missile. The Netherlands must exercise the greatest possible discretion with the procurement of the Patriot. With less financial margin, the Defense budget is too tight. If we simply proceed to buy the Patriot, we are wittingly flirting with problems again."

The financial and technical problems in the three branches of the Dutch military services have been caused primarily by the Netherlands--and other NATO countries too--not living up to the 1978 agreement to increase defense

expenditures within the Alliance by approximately 3 percent annually. In the period 1979 to 1983, the increase was less than 1.5 percent, with corresponding consequences. Military interest groups are publicly deploring the fact that they have to cannibalize their ships and tanks for critical parts in order to keep the other ships and tanks in operating condition.

Van den Bergh and Frinking are not very impressed by the lamentations of these interest groups. Says Frinking: "A publicity blitz is under way. Each branch of the military is trying to reach into the pot and get what it wants." His colleague, Van der Bergh, goes a step further: "The reports that the interest groups have circulated everywhere are exaggerated a good deal. But they have also been inspired by some people in the military command. It is a prime example of bringing pressure to bear on the eve of the Defense Paper."

For Social Democrat Van den Bergh, it is clear: "I doubt that the political leadership in Defense has sufficient grasp of the priorities in the military. Each branch is looking out for itself. I see--even in NATO--too little political willingness to talk in terms of streamlining and specialization. On the eve of the decision on purchasing the Patriot, the Netherlands should, in fact, compel NATO to organize its defensive efforts in a more efficient way. NATO is multinational but it is not managed as a multinational."

This statement is acceptable to the CDA and VVD as well.

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## LIKELIHOOD OF POLITICAL SHIFT IN MILITARY SECTOR DISCUSSED

Lisbon O JORNAL in Portuguese 24 Jun 83 pp 2-3

[Text] On the basis of the information obtained by O JORNAL, it is not likely that there will be changes in the military command in the next few weeks. The attention of the cabinet is focused on the economic "front" and matters pertaining to defense will be relegated to a secondary level. Melo Egidio will not be replaced, since the government knows that he will reach retirement (reserve) age next year. The replacement of Garcia dos Santos is theoretically more likely, because of the pressure of the more conservative and "anti-Eanist" sectors, but this matter has not been discussed even on the level of the highest government officials.

This week, a right-wing newspaper raised the issue of certain promotions to the rank of general effected by the chief of staff of the army, but a reliable military source gave assurance that these promotions were purely routine, based on the principle of seniority.

There is said to be, however, a real war being developed by pressure groups seeking the replacement of Garcia dos Santos. Gen Firmino Miguel may have already been asked if he would be willing to be the future CEME [army chief of staff]. Firmino Miguel, who still has 12 years to go before reaching retirement age, is not, however, reported to be in any great hurry yet to accept the post.

However, that reliable source reports that, within the same movements under way within the military sector, a staff with a very right-wing profile has been outlined for the minister of defense (Mota Pinto). This is said to be basically a portion of Amaro da Costa's staff (headed by Hugo Rocha), with which Amaro da Costa himself is said to be disappointed. For the time being, however, only Colonel Osorio (a pilot) is as yet working with the office of Mota Pinto on Gomes Teixeira Street.

Pedroso Marques, Adviser to Soares

It will not be at Gomes Teixeira Street, but at his residence in Sao Bento that Col Pedroso Marques will have his office. He will serve as military attache to the prime minister. A former political refugee (he participated in the Beja military coup), and former president of the RTP [Portuguese Radio-Television System], and more recently a member of the Garcia dos Santos cabinet, Pedroso Marques is the man needed if Mario Soares is to avoid what seems to be something he does not want: a clash with Belem in the defense sector.

## UNFAVORABLE VIEW OF COMPULSORY MILITARY SERVICE

## Demoralization, Poor Conditions Seen

Lisbon DIARIO DE LISBOA in Portuguese 6 Jun 83 pp 10-11

[Article by Clara Viana]

[Excerpts] Reflecting on compulsory military service [SMO] in Portugal today is a difficult and complex task. The officers of April [1974] have returned to their barracks, and what remains of them is mostly legend. Their entrance on the scene brought an end to the colonial wars, but the imaginary enemy in the warfare mimicked in military training is again the "terrorist." Of the 45,000 young men called up for military service every year, the percentage failing to report to the draft board is back up to where it was in the years of the three "overseas" fronts: it stands at around 23 percent, or the same as in 1972. At the same time, the 15,000 conscientious objectors registered since 1975 still have no definite status, and the length of required military service in Portugal--24 months--is the highest in Europe. But none of that is the responsibility of any military staff: it is up to the Assembly of the Republic to legislate on those matters.

Reflecting on compulsory military service is a difficult and complex task. As an alternative to the defense model it represents, there is the possibility of Armed Forces made up predominantly of professional soldiers--something that the civilian population has reason to fear. In addition, the Portuguese force is part of an "International"--that of NATO--and this requires its modernization and operational adaptation to a strategy that goes beyond its own. Those objectives are expensive and make it tempting to demand a considerable slice of the national budget.

The Portuguese military forces are full of fixations from the past--fixations faced by the approximately 45,000 young men currently being inducted every year. But most of the inductees know that something basic has changed: the war is

over. Portugal is no longer defending itself from "terrorists" on three colonial fronts.

The war is over, but the time spent in military service is devoted basically to preparing for it as though it were still going on. The former colonies have been independent countries for years, but in many barracks, the imaginary enemy is still the "guerrilla fighter" and the "terrorist." Jungle warfare continues to dominate military exercises.

On the other hand, the military--that is, the Armed Forces--offers its young men 405 specialties, but even the Army Staff agrees that most of them are useless in civilian life.

This dossier is based on statements by young men who completed their compulsory military service between 1979 and 1982. They all refer to their time in the military as an "interruption," a "detour," or a "sidetrack." But this dossier is also based on information from young men who have stayed in the service, renewed their contracts, and wound up "choosing" a military career, on statements by conscientious objectors and draft dodgers, and on responses provided by one military staff.

All of them support one of two positions: some feel that despite everything, SMO should be retained because an exclusively professional military force would be even worse for the country. Others do not agree--and among them, no doubt, are some of today's draft dodgers (currently 5 percent, compared to 2 or 3 percent before 25 April 1974).

#### Record Term of Service

At 24 months, the legal term of compulsory military service in Portugal is the longest in West Europe.

The 24 months required by Portuguese law (a law passed in 1968!) can in practice be reduced. That is what happens in the army, where a conscript winds up serving 16 months, but the full 2 years remain in force in the navy and the air force. In the case of draft dodgers and those who fail to report for their examination, obviously, there are no such benefits. Regardless of branch, their SMO lasts 2 years.

Most of those we questioned feel that there is no justification in peacetime for spending so much time in the service. The odd thing is that their opinion is shared by the Armed Forces--at least it is the Army Staff's position--and pressure has been brought to bear several times since 1976 to change the SMO law. But that change is in the hands of the Assembly of the Republic!

#### Sidetrack and Disruption

A waste of time, a sidetrack, and a disruption.

But the disruption between military and civilian life goes deeper and is more general. It is true that for some--less innocent or more "politicized"--

day-to-day barracks life faithfully reproduces relationships in the social structure and even the "spontaneous hierarchy" based on unequal regional development. But all agree that the time spent in the service contributes practically nothing toward training that might be useful to them in civilian life. Why? First of all because, as they all say, "the specialties assigned in the service rarely take literary skills or preexisting occupational experience into account." And second, because "the majority of those specialties are directed solely at military training." As a result, the "training" mission ascribed to itself by the service becomes no more than a remote possibility.

The Army Staff itself admits that of the 405 specialties offered by the Armed Forces, only 67 have any value in civilian life. Moreover, most of those 67 require prior vocational training, since the 16 months actually spent in the barracks are insufficient for effective vocational training--even in the case of topographers, first aid workers, vehicle drivers and equipment operators, communications workers, firefighters, and so on. And this is even more true in the case of more complicated specialties (draftsmen, lathe operators, welders, photoengravers, sheet metal workers, mechanics, and so on).

The Army Staff says that specialties are assigned with the object of "making good use of the man from the standpoint of all his potentialities." As a result, according to the Army Staff, "attention is paid to the man's psychophysical condition, his literary and technical vocational skills, and, naturally, the needs of the Armed Forces." But as the Army Staff admits (and we will simply quote what it says), "for various reasons, there are several occasions when it is not possible to take all three criteria into account," and the young men wind up being assigned "only in terms of their psychophysical condition." Because--and it is worth remembering--"military training is the chief mission of the Armed Forces," which must, above all else, train fighters.

One young sergeant told us that in their units, the men in his position do not generally perform the technical duties for which they were trained. Bureaucratic duties predominate on the pretext that the older men, who used to perform such duties, are retiring. So the sergeants wind up being office workers subject to military discipline--and that, according to our source, is causing a spreading sense of deep frustration among the young sergeants: "A sergeant's career is a miserable one in which there is not even a hint of professional achievement. Many of us wind up leaving our units to take courses in topography, communications, meteorology, or computers, since that provides us with some degree of professional work, at least for a few years."

The army is the branch that absorbs most of the draftees: every year, it takes 35,000 soldiers and 3,000 conscript officers and sergeants. The navy takes 5,000 seamen and 300 officers, while the air force takes 2,000 enlisted men and 60 officers.

According to the Army Staff, the rules for assigning men to one of the three branches are based on three principles: "the preference expressed by the young man, the profile necessary for each of them, and the needs of the Armed Forces." Obviously, the order in which those factors are arranged is not arbitrary, but the staff also says that "if there is no incompatibility, the tendency is



to satisfy the preference expressed," and we were assured that that tendency is becoming more pronounced.

### Regionalization

Issues raised by our interlocutors who had completed their SMO were concerned with the way in which induction is carried out: the process by which some are selected for call-up and some are not, for one thing, and for another, the way in which recruits are assigned to the various units.

Concerning the first point, one man who is now a sergeant told us that the economic situation of those "of draft age" is almost never taken into account. That circumstance frequently has disastrous consequences as far as their lives are concerned, and the results are always felt within the military institution.

As far as assignment to a unit is concerned, the principle behind it is one of the reasons why SMO is generally viewed as an excessive and useless "interruption." It is usual for young men from the north to be stationed in the south and vice versa. As a result, SMO immediately takes on the meaning of "forced exodus"--a separation from one's original social environment. The philosophy of "discovery of the country," which is used by the military institution to disguise that general system of disorganization, does not conjure away its chief result, which is the fact that the financial cost of the dislocation represented by SMO is in practice beyond the means of most soldiers.

The Army Staff says that there is a concern today to allow men to complete their SMO as close to home as possible. It adds, however, that "the unequal development of the country and population conditions make 100-percent regionalization impossible."

That regionalization is in effect in the Azores and Madeira, where local inductees do not leave the islands except to be trained in specialties not offered locally or those for which there is only one national training center (the Army Police, for example).

On the continent, the EME [Army Staff] says it is trying to place soldiers at the barracks closest to the district capital where they are registered. In the case of sergeants and officers, however--since they are trained at special centers and assigned on a nationwide basis depending on their classification--"regionalization" is purely a matter of coincidence.

### "New" Deserters

Desperate financial situations are the reason for most of the "new" desertions. Paradoxically, desperate financial situations are also the reason why some men undergoing SMO choose a military career. As we will see in a separate article, there are those who renew their contracts for 5 years and eventually stay in the service because there are no jobs on the outside. But for now, let us talk about deserters.

One of the young men we talked to was acquainted with a soldier in his barracks who had been there for about 3 years. He was a bricklayer, was married, and had children. Since it was impossible for him to support his family on his service pay, he was in the habit of going AWOL at regular intervals in order to work. When his work was done, he would report back to the barracks and be arrested. As soon as he was released, he would go AWOL again.

An identical case was that of a peasant, also the head of a family, who also went AWOL regularly so that he could work. But this man was fortunate enough to have found someone at the barracks who would "overlook" his absences, with the result that he was able to complete his SMO in the prescribed 16 months.

A soldier currently earns 1,000 escudos as a recruit and 2,300 escudos after that. In those conditions, it is easy to understand why young men with family responsibilities desert.

Another reason for desertion is the psychological incompatibility experienced by some of the recruits. As soon as they reach the barracks, they realize that they will not be able to put up with "that kind of life." Statistically, of course, such cases are much less frequent than the kind mentioned above.

How about the draft dodgers? What got them into their situation?

Here it is most likely a matter of young men who take it upon themselves to reject, through their attitude, the compulsory change of lifestyle caused by induction into Armed Forces which are still oriented chiefly toward the "mimic repetition" of a war that no longer exists.

The fact is that the percentage of draft dodgers today (about 5 percent) is higher than it was in the war years before 25 April 1974 (when it was around 2 or 3 percent). That percentage reflects the deep dissatisfaction and spirit of noncompliance with which a sizable number of young Portuguese currently view the prospect of SMO.

And while the number of draft dodgers is significant, the number of those failing to report for their preliminary examination is even more so. Most failures to report are later explained satisfactorily, and they testify to the existence of a strong feeling of "hesitation" concerning the attitude one should adopt toward the military service when one is called in for the first time. Below are some revealing figures, shown as percentages of the total number of individuals who should have appeared for their examination:

Percentage of Draft-Age Men Not Appearing for Examination

<u>Year</u>	<u>Percentage</u>	<u>Year</u>	<u>Percentage</u>
1960	13.5	1976	19.8
1965	22.1	1977	21.6
1972	23.7	1978	22.8
1973	20.7	1979	23.2
1974	17.5	1980	23.1
1975	18.2		

## Support Committee Founded

Lisbon DIARIO DE LISBOA in Portuguese 15 Jun 83 p 8

[Text] Former enlisted men who were called up in January 1982 and who fulfilled their military obligations at the Center Region Practical School of Engineering [EPE] decided on the 10th of this month to form the Support Committee for Compulsory Military Service (CASMO). According to the document presented during the meeting on the 10th, the committee's objective will be to "influence young people and the Assembly of the Republic for the purpose of making the necessary changes so that SMO can be viewed as a patriotic duty accepted by everyone and not as a nightmare."

Asserting that it was "vital to expose the poor conditions in which SMO is carried out," the former soldiers recall that this is the time when it is possible to make changes in the service for the future, since the Assembly of the Republic, as a followup to the National Defense Law, is now going to vote on the Law on Compulsory Military Service, the Statute on Military Status, the Statute on Enlisted Men, and the Statute on Conscientious Objectors.

Meanwhile, and for the time being, the former enlisted men took the opportunity to meet just a few days after their military service was completed and explain the conditions in which they carried out three messhall revolts and denounce a number of situations experienced by them at the Practical School of Engineering.

Saying that the "inadequate food which is served in Portuguese barracks constitutes one of the most serious problems affecting Portuguese soldiers," the young men in question emphasized that "as far as food was concerned, the situation was unbearable" at the Practical School of Engineering and that it led them to carry out three messhall revolts. Their efforts resulted in the setting up of a new messhall, but 12 of the soldiers involved in the messhall revolts were "punished with imprisonment and then transferred to other units."

### Death of a Recruit

In the document presented at the meeting, the former enlisted men also told about the death of a recruit on 7 April 1983. That death was "hushed up," and the man responsible for it was "the commanding officer of the EPE, who had restored training exercises previously dropped from army training." Also mentioned are the problems caused by the "miserable pay" the soldiers receive. The men say that in 1976, a soldier's pay "enabled him to buy 73 packs of cigarettes or 88 sandwiches or to go to the movies 55 times. But in 1983, he can buy only 38 packs of cigarettes or 76 sandwiches and see only 23 films."

Saying that "Portugal is one of the few countries in Europe--if not the only one--whose army does not provide some sort of enlisted men's representation in the administration of welfare within each unit," the former enlisted men say that from that standpoint, "the situation is not much different than it was before 25 April [1974]."

The document says: "For young Portuguese men, who today are already being plagued to death by a truly serious situation, their time in SMO is seen as one more interval of waiting for the total social, vocational, and human fulfillment to which so many aspire." It is a time during which "nothing is done to support young men on the vocational and educational levels."

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CSO: 3542/150

MILITARY

PORTUGAL

BRIEFS

MILITARY PROMOTION PROTESTED--Garcia dos Santos, CEME [army chief of staff], has ordered the promotion to major of the notorious Captain Calvinho--the one connected with the founding of the ADFA [expansion unknown] and the television program "Years of the Century," which earned him a few days of imprisonment in Trafaria. The odd thing is that not too long ago, the same CEME Garcia dos Santos was officially expressing the opinion that the said Captain Calvinho did not have military experience and was an example of "total inadaptability to the spirit and respect required by the values constituting the moral structure of the military institution." What a fickle CEME! [Text] [Lisbon O DIABO in Portuguese 15 Jun 83 p 20] 11798

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**DATE FILMED**

August 5, 1983